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World Business Newspaper THURSDAY JUNE 15 1995 D8523A

Mexico returns to bond markets after peso crisis

Mexico is poised to complete its return to the international bond market only six months after a devaluation triggered a severe financial crisis. Finance minister, Guillermo Ortiz (left), said Bancomex, a state-owned development bank, will today issue Mexico's a two-year floating rate note on the international markets for between $200m and $300m, the first public debt issue since last December. Page 14

Push for UK poll on single currency: UK cabinet members are pushing for a referendum on the British currency's membership of a single European currency, to end the row on European Union policy which is dividing the government. Page 8

Sprint considers cellular sale: US communications company, Sprint, is considering selling its conventional cellular business following its success in auctions for personal communications spectrum wireless licences in March. Page 15

Sarajevo offensive expected: Bosnia's foreign minister fuelled expectations of an imminent military offensive to break the Serb encirclement of Sarajevo by saying the city could not endure another winter under siege. Page 2

New date for car trade talks: The US and Japan agreed to resume talks on their car trade dispute, reducing the risk of the row disrupting the Group of Seven industrialised nations' summit in Halifax, Nova Scotia. Page 6

Russia clears way for oil investment: The Russian parliament approved a law which could pave the way for tens of billions of dollars of western investment in Russia's oil industry. Page 14

Boeing wins $3.1bn Asian orders: Four Asian airlines have promised orders worth $3.1bn for 31 Boeing 777-300s, lengthened versions of the Boeing 777 aircraft, Boeing said. Page 4

Japanese recession warning: Bank of Japan governor, Yasuo Matsushita, repeated concerns that the economy might fall back into recession saying an improvement shown in business conditions was confined to manufacturing and had not reached service industries. Page 6

NYSE plans trading change: The New York Stock Exchange is considering creating a facility for trading in the shares of non-US companies, enabling investors to buy shares of foreign companies in their home currency. Page 15

Development aid at 20-year low: Overseas development aid from the world's richest countries fell by $5bn in 1993, and now represents a smaller proportion of wealthy nations' GNP than at any time in the last 20 years, according to an independent report. Page 7

HK Telecom share sale raises $122m: The Chinese government's main domestic and international investment agency sold 61m shares in Hongkong Telecom, raising some HK$945.5m (US$122.3m). Page 19

Spain investigates phone-tapping: Spain's attorney-general has ordered an investigation into unauthorised phone-tapping by the Cesid intelligence service, reported to have recorded conversations by King Juan Carlos and politicians, journalists and businessmen. Page 2

Pakistan moves away from IMF plan: The Pakistani government unveiled a budget which appeared to distance the country from a structural adjustment programme being undertaken with the International Monetary Fund. Page 6

Mitsubishi Bank revealed that loans where interest rates had been cut due to the borrowers' financial problems, declined 7.3 per cent during the year to March to Y495.4bn ($5.9bn). Page 19

Canadian oil sell-off to raise $1.58bn: The Canadian government hopes to raise about C$2.2bn (US$1.58bn) from the privatisation of its 70 per cent of Petro-Canada, the country's second biggest integrated oil company. Page 18

Islamic banks to fund Saudi deal: Islamic banks are expected to play a prominent role in financing Saudi Arabia's purchase of $6bn of new aircraft over the next 10 years. Page 7

Bangkok pier accident kills 20: At least 20 people were killed and many others were believed drowned after a floating pier packed with commuters capsized on Bangkok's Chao Phraya river.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,485.89	(+1.38)
NASDAQ Composite	894.46	(+0.23)
Europe and Far East		
CAC40	1,893.65	(-29.14)
DAX	2,128.02	(+12.91)
FT-SE 100	3,339.8	(-8.2)
Nikkei	14,660.49	(+60.81)

US LUNCHTIME RATES

Federal Funds	6%
3-mth Treas Bills: Yld	5.597%
Long Bond	113 1/32
Yield	6.568%

OTHER RATES

UK: 3-mo Interbank	6 1/2%	(Same)
UK: 10 yr Gilt	103 1/8	(103 13/32)
France: 10 yr OAT	100.09	(100.49)
Germany: 10 yr Bund	100.9	(101.2)
Japan: 10 yr JGB	112.153	(112.523)

NORTH SEA OIL (Argus)

Brent 15-day (Aug)	$390.6	(17.475)

GOLD

New York: Comex		
(Aug)	$17.40	(389.4)
London:		
close	$388.0	(387.4)

DOLLAR

New York: lunchtime		
£	1.6145	
DM	1.40845	
FFr	4.914	
SFr	1.154	
Y	84.4	
London:		
£	1.6099	(1.5946)
DM	1.3974	(1.4044)
FFr	4.903	(4.9443)
SFr	1.153	(1.1578)
Y	84.265	(84.16)

STERLING

DM	2.2496	(2.2394)
Tokyo close:	Y 84.615	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$16	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Nath	R 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.50	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mTand)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L55,000
Germany	DM3.20	Lux	LFr70			UAE	Dh12.00

Suez management attacked by main shareholders

By Andrew Jack in Paris

The chairmen of the three largest shareholders in Suez, the flagship French industrial and financial holding company, yesterday disrupted its annual meeting with an unprecedented public attack on the senior management.

Casting aside the reserve which normally characterises the French business elite, the heads of Union des Assurance de Paris, the French insurer, Elf Aquitaine, the petroleum company, and Saint Gobain, the industrial group, also blocked the Suez management's moves to secure extra powers to issue shares which could be used to buy stakes in other companies.

The action was designed to stop a potentially large investment in Pinault Printemps Redoute, the retail group with which Suez has been in discussions, as well as to express the shareholders' concern about what they see as a lack of focus in Suez's commercial strategy.

The attack follows several days of intensifying criticism of Suez's performance and speculation over whether it was seeking a "white knight" in the form of Pinault to defend itself from a rumoured takeover bid by UAP and by Banque Nationale de Paris, another large shareholder which has been increasing its stake in Suez in recent months.

To the applause of many of the several hundred shareholders at the meeting, Mr Jacques Friedmann, chairman of UAP, which holds 6.9 per cent of Suez's shares, criticised the way Suez had taken decisions without consulting the board.

His views were supported by Mr Jean-Louis Beffa, chairman of Saint Gobain, and Mr Philippe Jaffré, chairman of Elf Aquitaine, who said that Suez "lacks the definition and application of a clear strategy".

Such public acrimony is rare among French business leaders who usually prefer to settle their disputes in private. As they are all represented on the Suez board, UAP, Elf Aquitaine and Saint Gobain could have voiced their criticisms more discreetly.

The three chairmen's comments followed a presentation by Mr Gérard Worms, chairman of Suez, who confirmed recent speculation that he had been in discussions with Mr Francois Pinault, chairman of Pinault Printemps Redoute.

While criticising as "regrettable" the fact that the discussions had been reported in the press, he defended his talks,and also confirmed that he talked with the chairmen of UAP and BNP about greater collaboration in the future.

Mr Worms also suggested for the first time that Suez might seek an external partner to help it fund necessary expansion for Indosuez, its banking operation, if it could not find the resources internally. He said a decision was likely within the next few weeks.

Banque Nationale de Paris has long believed to be interested in acquiring Indosuez, which would strengthen its own investment banking and international operations at a time when the opportunity to improve its profitability is limited.

Mr Worms also had to defend himself against calls for his resignation, and over demands for greater transparency in directors' remuneration and personal shareholdings.

Japan to raise issue at G7 summit ■ Australia and NZ freeze defence co-operation

France will hold series of N-tests in Pacific

By David Buchan in Paris

France's decision to hold a final series of nuclear tests in the Pacific drew an angry response yesterday from numerous countries in or bordering the region.

Mr Tomiichi Murayama, Japanese prime minister, called the move – announced yesterday by French president Jacques Chirac – "regrettable" and said he would raise it at the summit of the Group of Seven industrialised nations which opens today in Halifax, Nova Scotia.

Russia said the move could threaten the future of international arms agreements. Since 1992, China has been the only nuclear power to continue experimental nuclear blasts for weapons testing, but Mr Sergei Medvedev, President Boris Yeltsin's chief spokesman, said: "The destruction of the present moratorium would deal a serious blow to the disarmament agreements we have recently achieved."

US officials said Washington was disappointed by the decision, which was to be among issues discussed at a bilateral meeting later yesterday between President Bill Clinton and Mr Chirac ahead of the G7 summit.

Canada, host of the summit, said France should quickly reverse its decision.

The response was strongest from Australia and New Zealand, which announced a freeze on defence co-operation with France during the testing period. Mr Chirac said on Tuesday the underground explosions on France's Mururoa atoll would cease by the end of next May, in time for a planned international test ban treaty to be signed.

Mr Alain Juppé, French prime minister, yesterday described the barrage of foreign protests as "a bit exaggerated and excessive".

Facing domestic criticism confined to a few left-leaning newspapers and opposition politicians, in a country with a relatively weak environmental and anti-nuclear movement, French ministers sought to ride out the storm of foreign protest at what Mr Chirac called his "irrevocable" decision. They stressed France's need for the eight additional underground explosions to refine the technique of simulating future tests in laboratories.

Mr Juppé acknowledged France faced "a difficult period" with Pacific states during the planned tests between September and May, but "over the medium and long term" it wanted to maintain co-operation with countries in the region.

Mr Hervé de Charette, French foreign minister, claimed that "while the most visible decision today may be the holding of the eight extra tests, the decision with the most important consequences for the south Pacific, as elsewhere, is the commitment to end tests next year definitively".

But Mr Juppé said France would not let itself be swayed by the complaints of the US and Russia who had nuclear weapon stocks "immeasurably" greater than France's.

Mr Chirac's decision to time his announcement on the eve of meetings with Mr Clinton and other G7 leaders caused surprise.

Mr de Charette explained the president thought it "better to go to Washington and Halifax with things out in the open rather than hidden".

Editorial Comment, Page 13

Greenpeace supporters bid farewell to the anti-nuclear movement's ship, Rainbow Warrior, as it leaves Auckland, New Zealand, yesterday on a mission to France's nuclear testing zone in the south Pacific
Picture: AP

Clarke extends inflation target

By Robert Chote, Economics Correspondent

Mr Kenneth Clarke, the UK chancellor, yesterday extended the government's existing target for UK inflation beyond the next general election and said he would not be tempted by a "politically motivated dash for growth".

With an eye to his restive colleagues on the Conservative backbenches, Mr Clarke used his third annual Mansion House speech to warn that Britain could not afford "populist inflationary binges".

Mr Clarke added he wanted to cut taxes in time, but that his Cabinet colleagues knew he could only do so if they kept tight control of government spending.

Mr Clarke reaffirmed his commitment to ensure that underlying inflation – excluding mortgage interest payments – is 2.5 per cent or below at the end of this Parliament.

He added that this objective

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Samuel Brittan, Page 20
Editorial Comment, Page 21
Lex, Page 22; Bonds, Page 30; Currencies, Page 32

Swedish police net two Internet software pirates

By Alan Cane in London and Hugh Carnegy in Stockholm

Thousands of computer users worldwide who have been illegally downloading professional software from the Internet can expect retribution after Swedish police this week caught up with a pair of ambitious software pirates.

Two students at the Royal Institute of Technology in Stockholm have admitted loading popular software packages, including Aldus Pagemaker and Microsoft Word, on to the Internet and inviting other users across the world to make their own copies.

In a three-week period during which the pair were under police surveillance, 3,150 packages were copied from the Internet, about 150 a day. At an average value of $550 a package, the loss to the publishers is estimated at $1.7m.

The students, who cannot be named for legal reasons, are not under arrest but charges may be laid under Sweden's data protection laws.

Mr Agne Lindberg, a lawyer acting for the Business Software Alliance, which has been pursuing an aggressive campaign to eliminate software piracy, said the pair were not motivated by profit: "In their culture it is not the money but the honour; they have become quite famous for this".

Mr Allen Dixon, BSA European counsel, said it was the most blatant use of the Internet for software theft yet uncovered.

The computer addresses of people who copied the packages were known to the police and would be given to the BSA, he said. The BSA would demand the destruction of copied software and might ask for compensation.

The Internet is a worldwide telecommunications network linking several million computer systems and more than 30m users who exchange electronic mail and browse for information.

The Swedish students hacked into the university computer with a stolen password and created a database – a "bulletin board" – which could not be detected by the university authorities. They then loaded a variety of software packages into the database and invited Internet users to help themselves.

The university, one of the most respected in Sweden, was only alerted when an Internet user in the US sent a message warning that it was being cited as a source of free software.

CONTENTS

Tietmeyer split with Brussels on Emu

By Andrew Fisher in Magdeburg

Differences between Germany and the European Commission over how monetary union should be implemented broke out into the open yesterday when Mr Hans Tietmeyer, president of the Bundesbank, criticised the method proposed in the recent Brussels green paper.

Although he did not state the central bank's objections, it is known to disagree with the green paper's proposal that a joint currency should be introduced in stages – first for large banking and other payments transactions and later for the public – after European monetary union (Emu) has been agreed.

The Bundesbank wants the new coins and notes to be brought in for all users at the end of the process, or several years after Emu's likely start in 1999.

"We think this is too important a subject to be solved at a rapid gallop," Mr Tietmeyer said at a press conference after the central bank council met in east Germany. "In the Bundesbank, I can say we have a certain reservation about the critical mass concept [set out in the green paper] as it has been presented."

Under this concept, the new coins and notes would be brought in first for banking, insurance, commercial and government use. But the public would continue using national currencies until a "critical mass" had been established for the new currency's full introduction.

The Commission argues this would make the notion of a joint currency more credible to citizens.

The Bundesbank feels credibility should be possible without having to lead up to the widespread use of a joint currency and thus favours the "delayed big bang" idea. It points out that while big banks will be able to adjust to the staggered introduction of the new currency – Deutsche Bank, Germany's biggest bank, supports the green paper – smaller savings and other banks will need more time to adjust their operations, especially computer systems.

Mr Theo Waigel, Germany's finance minister, also at the Bundesbank meeting – before flying to the Halifax summit of leading industrial nations – was more circumspect, but made clear the government also did not agree fully with the Commission's proposals. "The discussions should not be limited to one scenario," he said.

Both men also highlighted the role in the Emu preparations of the European Monetary Institute, the Frankfurt-based forerunner of the planned European central bank. Mr Waigel said the EMI's view was of "great significance". Mr Tietmeyer said it was conducting intensive studies into how Emu should be introduced and had sent out a questionnaire to banks; the EMI's initial views should be presented by the year's end.

So far, the institute has not commented on the green paper. It had no speakers at last week's Emu conference organised by Deutsche Bank and attended by Mr Yves-Thibault de Silguy, the European monetary commissioner, who presented the paper to a partly sceptical audience.

Mr Waigel emphasised the importance of strict adherence to the economic convergence criteria ahead of Emu. "The convergence criteria are, and remain, more decisive for us than all timetable plans," he said.

Noting that Germany was well within the criteria, he said its budget deficit could fall to 1 per cent of gross domestic product by 2000, if public spending rose only 3 per cent a year. "This would be well below the Maastricht criterion [of 3 per cent] which we achieved last year."

Both men expressed confidence in the progress of the east German economy. Mr Tietmeyer hoped the high level of transfers and subsidies to the east – totalling some DM160bn (£72bn) a year – could gradually be reduced over the longer term as growth, investment and job creation improved.

Bosnian minister fuels fears of big military offensive

By Laura Silber in Belgrade and Our Foreign Staff

Bosnia's foreign minister yesterday fuelled expectations of an imminent military offensive to break the Serb encirclement of Sarajevo by saying the city could not endure another winter under siege.

Mr Muhamed Sacirbey, an outspoken member of Bosnia's Moslem-led government, said in Vienna that his country's army had to take "preventive measures" because the Serbs were introducing new armour into the Sarajevo area despite international warnings to keep heavy weapons out.

"This exclusion zone and ultimatum have not been honoured and the Serbs have brought new forces and new weapons into the area. Therefore we do have to take preventive measures," Mr Sacirbey said after talks at the Austrian foreign ministry.

He declined to comment directly on reports from United Nations officials in Sarajevo that up to 30,000 Bosnian government soldiers were massing north of the capital, in an apparent preparation to break the 38-month-old Serb encirclement.

"I can neither confirm nor deny [the reports] but certainly as part of our overall strategic situation... we must be prepared not to liberate Sarajevo but actually to defend Sarajevo at this time," he said.

As well as voicing concern about the Bosnian army build-up, UN officials said they feared the Bosnian Serbs were stalling on the release of 26 peacekeepers who remain in custody despite the release in recent days of more than 300 others.

Mr Yuri Chizhik, a UN spokesman, said that Bosnian Serbs still held 26 UN military observers and soldiers, including 12 Canadians.

Mr Radovan Karadzic, the Bosnian Serb leader, claimed on Tuesday that only 14 would remain in custody for a short time longer, for what he described as technical reasons.

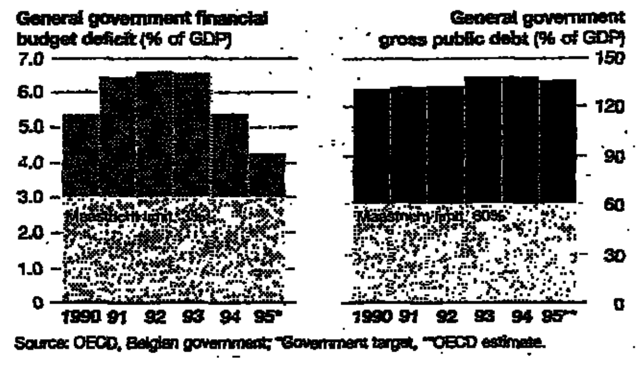
Mr Chizhik said that "all the technical obstacles are with the Bosnian Serbs, not with us" and UN officials said there were indications that the hostages were still being used as insurance against further Nato air raids. The Serbs took nearly 400 UN peacekeepers hostage after Nato air strikes on May 25 and May 26. One official said of the remaining hostages: "They are being held as human shields in the most sensitive locations."

He said four of them had last been seen at the Jahorina radar station complex, a radar and air-defence command centre of the former Yugoslav army on a peak near Pale, the mountain stronghold above Sarajevo.

The facility is said to be used to monitor Nato aircraft – from the moment they take off from Aviano airbase in Italy.

In other signs of increasing tension, Canadian peacekeepers based in Visoko, just north of Sarajevo, said they were braced for a Bosnian government offensive but could not confirm whether it would be aimed to break the siege.

Belgium's budget deficit and public debt



Source: OECD, Belgian government; *Government target, **OECD estimate.

Belgian PM to give priority to Emu targets

By Emma Tucker in Brussels

The new Belgian government, expected to be in place by the end of next week, plans to reduce spending drastically and radically rewrite laws on competitiveness, in an effort to be one of the first countries to be party to a single European currency.

Mr Jean-Luc Dehaene, the Christian Democrat prime minister, intends to make reductions in the budget deficit one of the priorities of his centre-left administration, for which negotiations are being completed following last month's general election.

Dehaene: determined

Belgium is determined to join France, Germany, the Netherlands and Luxembourg as the first to accept a single currency before the end of the century.

But questions have been raised about Belgian participation because of its high government deficit and, more seriously, the largest debt as a ratio of gross domestic product in Europe.

The Maastricht treaty stipulates that for a country to participate in European monetary union (Emu), it must reduce its debt-to-GDP level to 60 per cent, or at least be moving towards that target at a satisfactory pace, and reduce its deficit to 3 per cent of GDP. Belgium's deficit in 1994 was 5.4 per cent of GDP. Its debt-to-GDP ratio is 138 per cent.

The new government, again a coalition of the Christian Democrat and Socialist parties in power before the May election, is expected to agree to spending cuts of BFr105bn (£2.26bn) for next year and a change in the law which will allow the government to pre-empt deteriorations in the country's competitiveness.

The drastic spending cuts in a country where government spending has traditionally been high, and where unemployment is running at 10 per cent, are likely to anger Belgium's powerful trades unions.

However, the Socialist party, one of the main coalition partners, has already agreed to respect the 3 per cent target for the budget deficit.

The savings are expected to come mainly from pensions, health and social security spending, in spite of emotional election pledges by the socialists to safeguard Belgium's generous social security system.

In an attempt to prevent over-spending, Mr Dehaene has also proposed a change in the country's 1989 law on competitiveness.

This says that if Belgium loses market share to its immediate neighbours and if one of four other criteria – principally wage costs – shows a deterioration in relation to those of trading partners, then government, unions and employers are supposed to come forward with proposals to deal with the problem.

If they fail, the government can intervene.

The proposed law will more narrowly define trading partners – currently seven countries – as France, the Netherlands and Germany. Furthermore, when the current freeze on wages is lifted next year, the government may decide to set a maximum level for wage increases based on projections for wage growth among the three main trading partners from the Organisation for Economic Co-operation and Development and the International Monetary Fund. This will end Belgium's unique tradition of automatically indexing wages.

The government is likely to face a barrage of complaints from employers who believe the contributions they have to make to the social security system are damagingly high. Some have even threatened to relocate to other countries where the tax burden is less heavy.

However, with the government having so little room for manoeuvre their requests are unlikely to be heeded.

Belgrade's shadowy strongman steps into diplomatic spotlight

By Laura Silber in Belgrade

Mr Jovica Stanisic showed just the faintest flicker of a smile. But smiling does not come naturally to the head of Serbia's state security police. Not for the first time, he had succeeded in persuading Bosnian Serb leader Radovan Karadzic to free United Nations hostages.

Mr Karadzic and his colleagues looked uncomfortable sitting beside him in the Bosnian Serb headquarters of Pale as Mr Stanisic, throwing steely glances around the room, announced another success for his boss, President Slobodan Milosevic of Serbia.

Mr Stanisic is the police chief turned "special envoy", entrusted by Mr Milosevic with carrying out his promise to western mediators to secure the release of the hostages.

Mr Stanisic was with the all-powerful secret police for more than a decade before the Serbian president rose to power in 1987 but had never been seen in public until a fortnight ago when he began his mission to free the hostages.

Outside of Mr Milosevic's family – Serbia's first lady, Mrs Mira Markovic, is a powerful figure – Mr Stanisic wields the most influence as one of the chosen few who enjoys regular access to the Serbian president. He is said to speak to or see him daily.

The secret of Mr Stanisic's diplomatic success lies in the fact that he was with the Bosnian Serbs from the start of their aggression. He helped them to procure arms and organise their own police forces in 1992. The paramilitary forces which, backed by the Yugoslav Army, carried out "ethnic cleansing" – expelling, killing, or imprisoning tens of thousands of Moslems from eastern and northern Bosnia in the first months of the war – were backed by Serbia's secret police.

Jovica Stanisic: Milosevic's spy chief who knows the secrets of the Bosnian Serbs Reuter

But with relations between Mr Milosevic and the Bosnian Serbs severed – in theory at least – what leverage was Mr Stanisic able to exercise over his wayward kinsmen in Bosnia? According to one observer in Belgrade, Mr Stanisic was likely to have travelled to Pale with threats to reveal financial corruption or details of crimes committed during the war.

The Bosnian Serb leaders, who according to a Serbian MP "adore" Mr Stanisic, know that he does not bluff.

Serbia is the only former communist country in Europe where the police have not been reformed or even challenged to loosen their grip over society.

Indeed under the presidency of the Mr Milosevic, the police have doubled in size to about 100,000. The exact size of Mr Stanisic's secret service – who form an élite section of the police – is not known.

The prominence in Serbian life of the secret service, and its ability to infiltrate and manipulate all institutions, helps to explain why Serbian politics seldom follow western patterns.

In December 1993, for example, when inflation had skyrocketed to an incredible 1m per cent per month, there was virtually no protest. Mr Milosevic's Socialist party even managed to win in a legislative election. Opposition parties complain that they are powerless against the propaganda machine which the Serbian president has built up with the help of the security police.

The iron grip in which the Belgrade regime holds the country – because of its heavy reliance on the services of Mr Stanisic – has made it easier for the Serbian leadership to shift policy abruptly without having to explain itself.

Without the flexibility which he has secured by building up a strong secret service, Mr Milosevic could hardly have allowed himself the luxury of currying favour with the west by abandoning his nationalist proxies in Bosnia and Croatia.

Mr Stanisic grew up in modest circumstances in Crvenka, a town in Serbia's northern province of Novi Sad. His next-door neighbour, Mihalj Kertes, is another faithful henchman of Mr Milosevic and himself a secret policeman.

For many Serbs, Mr Stanisic's name will still be whispered, always associated with the murky world of the Sluzba Drzava Bezbednost (SDB), the state security agency.

When Belgrade University, where he graduated in political science in 1974, was organising a class reunion recently, his was the only phone number which was impossible to find, wrote Mr Ivan Radovanovic of Vreme, the independent weekly magazine.

There were just three letters written after his name – SDB.

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UK unveils plan to trim EU legislation

By Lionel Barber in Luxembourg

Britain yesterday stepped up its drive to reduce the amount of European Union legislation with two new proposals aimed at curbing the powers of the European Commission and strengthening the role of national parliaments.

The proposals came up at a meeting in Luxembourg of the Reflection group of government-appointed experts charged with preparing the agenda of next year's intergovernmental conference to review the Maastricht treaty.

Response was said to be luke-warm, amid suspicions that the UK is seeking to "roll back" Brussels powers in favour of a looser, more flexible European Union at next year's IGC.

The debate over the IGC agenda pits small against big countries, as well as federalist-minded countries such as Germany and Benelux against sovereignty-conscious Britain and France.

The trickiest issues are majority voting, the right of veto, and the powers of the European Parliament, and the degree of integration necessary to accommodate enlargement to central and eastern Europe in a Union of up to 27 members.

In Luxembourg yesterday, Mr David Davis, the UK representative, called for a "sunset clause" in which European Commission proposals for legislation would expire if they were not adopted by the Council of Ministers, the top decision-making body.

UK officials said that a three year "sunset clause" would, for example, eliminate the Fifth Company Law directive requiring worker representatives on company boards, first introduced in 1972; or plans to harmonise speed limits.

Mr Davis also sketched ideas for national parliaments to vet proposals from the Commission to see if they passed a test of "subsidiarity", the codeword for testing whether decisions should be taken at EU, national or local level.

Mr Carlos Westendorp, the senior Spanish diplomat who is chairman of the Reflection Group, said there was a "broad consensus" that the Commission should retain monopoly right of initiative in legislation.

Mr Westendorp said there was "no great support" for offering national parliaments a second chamber alongside the European Parliament, mainly because it would make EU decision-making even more complicated than at present.

Several delegations favoured giving the European Parliament more powers to make the Commission more accountable, but not to the point of voting on the Commission president. At present, the president is appointed by member states, subject to the assent of the parliament.

The Reflection Group, which contains two MEPs and a member of the Commission, will produce a report for the European summit in Madrid in December.

EUROPEAN NEWS DIGEST

Gunmen attack Russian city

Dozens of heavily armed men dressed in camouflage gear yesterday stormed a southern Russian city, killing at least 40 civilians and taking hundreds of hostages in an attack Russian officials linked with besieged separatist forces in nearby Chechnya. First deputy prime minister Oleg Soskovets said the gunmen demanded the withdrawal of Russian troops from Chechnya.

Postfactum, a Russian news agency, quoted a spokesman for Mr Dzhokhar Dudayev, the leader of Chechen separatist forces, denying responsibility for the attack, but the incident provoked a fierce reaction from the Russian leadership and raised fears that it could be the beginning of a wave of Chechen terrorism within Russia. According to Russian officials the gunmen entered Budyonnovsk, a Russian city of 100,000 some 70km from Chechnya, in two buses and a military jeep. Attackers stormed the city, temporarily seizing a hospital, a bank, and a government building and cutting off the town's communication with the outside world.

After an afternoon of gun battles, the gunmen were reported to be holding 160 hostages in the town and to have fled with other hostages, including schoolchildren, in the direction of Chechnya. Mr Sergei Medvedev, spokesman for President Boris Yeltsin said "the president is deeply concerned by the terrorist attack of Chechen militants in the Stavropol region which resulted in casualties, hostages and disruption of the constitutional order". *Chrystia Freeland, Moscow*

Corporate governance code

The European Union needs a code of best practice for corporate governance standards, as institutional investors increasingly seek to exercise control over the companies they own, according to a paper by the Centre for European Policy Studies, an influential think tank. The study on corporate governance in Europe, to be published today, argues that changes are needed in the relationship between the owners and managers of companies.

The paper urges the adoption of one share, one vote rules, a departure from practice in much of Europe where companies are allowed to set a ceiling on the voting influence of shareholders, regardless of the percentage of shares they own. It says the model code ought to emphasise that shareholders are entitled to appoint or remove directors, approve the dividend and the creation of new shares, and approve corporate by-laws. *Norma Cohen, Investments Correspondent*

Yeltsin accept Lebed resignation

President Boris Yeltsin yesterday accepted the resignation of General Alexander Lebed, the maverick commander of Russian forces in Moldova. Gen Lebed, who is often touted as a possible presidential candidate in elections scheduled to be held next year, tendered his resignation earlier this month in protest at Moscow's plans to downgrade the army under his command and withdraw it from Moldova within three years.

Mr Yeltsin was thought to be wavering over Gen Lebed's resignation because of the danger that, released from his distant army headquarters and military discipline, the charismatic officer would be free to devote his energies to a political career. *Chrystia Freeland, Moscow*

Probe into Spanish phone-taps

Spain's attorney-general has ordered an investigation into unauthorised phone-tapping by the Cesid intelligence service, which is reported to have recorded conversations by King Juan Carlos as well as politicians, journalists and businessmen. The defence ministry said the tapes, dating from 1984 to 1991, were meant to have been destroyed.

Amid a fiery political row over the disclosures, Mr Narcis Serra, deputy prime minister, and Mr Julián García Vargas, defence minister, are due to report on the eavesdropping activities to a closed-door parliamentary committee meeting today. The affair has brought sharp criticism from within the governing Socialist party, as well as from opposition politicians. Mr José Bono, president of Castilla-La Mancha and the only Socialist regional leader to win an outright majority in elections last month, said the phone-tapping was "unacceptable". *David White, Madrid*

Restraint on company chairman

Mr Guy Dejouany, chairman of Compagnie Générale des Eaux, the French utilities and communications group, has been placed under a limited form of judicial control by a French magistrate investigating corruption allegations. Mr Jean-Michel Prêtre, a magistrate from the French overseas territory of Reunion in the Indian Ocean, took the action after interviewing Mr Dejouany in relation to accusations of bribery in the award of water supply contracts in Saint-Denis, the island's capital.

Générale des Eaux stressed that the new judicial order would not restrict Mr Dejouany's ability to continue managing the group, and stressed that he had in no way been involved in any incriminating matters. Mr Dejouany is the latest in a series of French business leaders to be ensnared in corruption investigations. *Andrew Jack, Paris*

Choice narrows on oil pipeline

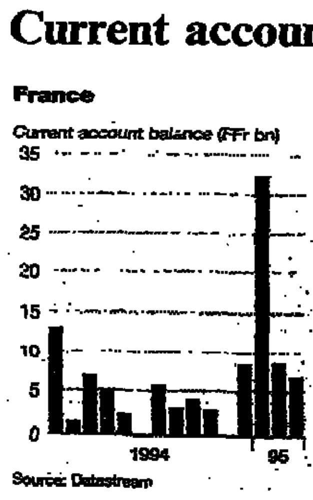
The international consortium created to exploit oil reserves in the Caspian Sea off the coast of Azerbaijan will choose between two possible export pipeline routes within two months, officials from the consortium said yesterday. Exporting oil from the rich Caspian Sea basin has emerged as the largest remaining hurdle facing the $7bn project. The pipeline will offer political leverage and significant revenues to the countries through which it passes.

Officials from the consortium said they had narrowed the selection down to two routes: one passing through Georgia to the Black Sea port of Batumi, the second, a more circuitous northern one through Russia to Novorossisk on the Black Sea. The consortium hoped to make a choice between the two routes within two months. *Chrystia Freeland, Moscow*

ECONOMIC WATCH

Current account setback

France



Source: Datastream

France's seasonally-adjusted current account surplus fell in March to FFr6.72bn ($1.37bn), against FFr8.5bn the previous month and FFr6.17bn a year ago, the finance ministry said yesterday. Unadjusted, the surplus was FFr9.89bn, compared with a FFr2.24bn deficit in February. The adjusted surplus was slightly below the FFr7bn-FFr8bn forecasts. The outflow from financial transactions totalled FFr25.8bn, including short-term investment outflow of FFr18.6bn. The long-term capital outflow was FFr7.2bn, while the deficit on direct investments widened as the French invested more abroad. The deficit on securities investment dwindled to FFr200m. The current account surplus for the first quarter was FFr47.63bn, compared with FFr19.52bn for the same period last year. *Andrew Jack, Paris*

■ Greece's retail sales index rose by 3 per cent in March year-on-year after a 4.5 per cent increase in February, the national statistics service said.

■ Finland's unemployment rate fell to 17.8 per cent in May from 18.3 per cent in April, the labour ministry said.

NEWS: EUROPE

Fresh strike at Alitalia as anger grows

By Andrew Hill in Milan

The long-running dispute between the management of Alitalia, the Italian state airline, and the unions entered a new and unpredictable phase yesterday when pilots staged a wildcat strike in protest at restructuring plans.

Anpac and Appi, the main pilots' unions, warned that after more than six months of deteriorating relations with the state carrier's management, they were in danger of losing control over the union rank and file.

Yesterday's action began with what unions claimed was a spontaneous rally of pilots at Rome airport, many of whom then refused to work or called in sick.

Mr Renato Riverso, the airline's chairman, threatened criminal proceedings against the pilots for breaking the law which requires transport workers to give notice of industrial action and guarantee certain minimum services.

The airline said about one in four of its national and international flights out of Rome was cancelled, with knock-on effects for other incoming and outbound services.

The Italian government has so far declined to use special legal powers to block the strikes by the airline's workforce.

Although the government has offered to mediate between the two sides, there are signs that it is prepared to toughen its line.

Yesterday, Mr Lamberto Dini, Italian prime minister, met the transport minister, labour minister and the chairman of Iri, the state holding company which controls Alitalia.

In a statement afterwards, the government repeated its backing for the airline's restructuring plan, started last year with the aim of improving efficiency.

It also underlined its determination to enforce the minimum public service rules.

Iri repeated that it would not inject new capital into Alitalia until it was clear the airline was no longer making a loss.

The row between pilots and management came to the boil in January when Alitalia pressed ahead with plans to lease Boeing 767-300 jets from the Australian airline Ansett, complete with pilots and cabin staff. This was an attempt to remain competitive on routes between Rome and North America.

The unions said that yesterday's action was provoked by pilots' fears that this "wet leasing" of aircraft could be extended, and that Alitalia could begin to sell off part of its own fleet.

"We're no longer talking about renewing pilots' contracts, but about the very survival of Alitalia," Mr Marzio Tiezzi, an Anpac spokesman, said yesterday.

"We've always respected the [minimum service] law, but there hasn't been any intervention to end this plan to dismember the company," he said.

The pilots' unions have scheduled an official strike for June 23, and unions representing ground staff and cabin staff are to strike for 24 hours on June 26.

Boost for Dini as far left splits on pensions

By Robert Graham in Rome

Long-simmering differences within Reconstituted Communism, formed from the hardline members of the old Italian Communist party, exploded yesterday over pensions reform and led to a formal split.

The break-up of the party, with the departure of 14 of the 39 deputies, will have important consequences for the passage of legislation reshaping Italy's deficit-ridden state pensions system. Although the break-away deputies are committed to introduce some amendments, they have announced they will back the general line of the reforms.

The defection – the third split in a political party this year – comes in advance of next week's debate in the chamber of deputies on the pensions proposals. It should give a boost to the precarious parliamentary majority on the issue of the government of prime minister Lamberto Dini.

The votes of these same deputies was vital for Mr Dini's government when they broke with party discipline and voted in favour of the mini-budget on March 16.

Differences became irreconcilable when Mr Fausto Bertinotti, the party leader, insisted on pursuing a policy of obstruction of the pension reform proposals by tabling 2,700 amendments. The proposals were worked out between the government and the leaders of the three main trades union confederations, with whom Mr Bertinotti has often been in strong disagreement.

"There seems to be a more constructive and reasonable way other than obstructionism of obtaining results that satisfy workers' interests," observed Mr Rino Serri, a senator and one of the dissidents.


Dini: can expect backing on pensions from some communists

The dissidents have been led by Mr Sergio Garavini, a former trades unionist and deputy since 1987. Apart from 14 deputies, the break-away group comprises three senators and two Euro-MPs. In a formal note the group said their resignation from the party would now allow them to work to create "a federation of the left".

This should bring them closer to the Party of the Democratic Left (PDS), the largest political force on the left, which they refused to join when the Communist party was buried in January 1991. Reconstituted Communism rejected the abandonment of Marxist ideals and felt the adoption of a social democratic platform by the PDS was a betrayal of an ideological tradition going back to Antonio Gramsci in the thirties.

At first it called itself a movement and only became a party in December 1991. The party's support base has steadily grown, appealing to both the older-generation nostalgic communists and a young protest vote. Mr Bertinotti has combined hardline views with an aristocratic accent and a courteous manner, making him a popular politician.

Before the split, the party accounted for almost 7 per cent of the national vote. The support of this vote could well determine whether the centre-left alliance, headed by the PDS, wins a majority in the next elections. Until now the PDS and its centrist partners have shied away from an open alliance at a national level with a party that labels itself communist. The question now is how much of the vote will remain with Mr Bertinotti.

ABB and Daimler deal faces full probe

By Emma Tucker in Brussels

The European Commission has indicated it will open a full investigation into a joint venture between Daimler-Benz, the German industrial group, and Asea Brown Boveri, the international electrical engineering group, which are joining forces to create the world's biggest railway equipment business.

Competition authorities in Brussels are worried that the venture – to be known as ABB Daimler-Benz Transportation – will give the companies a dominant position in the supply of railway equipment and could harm competition.

"It would be rather surprising if the Commission did not decide to open a detailed investigation into a joint venture of this size," said a commission official yesterday.

The joint venture cannot go ahead until it has the approval of the Commission which is expected to announce a detailed investigation before the end of the month.

It will then take some four months for Brussels to hear submissions from the two companies, competitors and domestic competition authorities.

There are likely to be strong complaints from the Bundeskartellamt, Germany's domestic competition authority, which has voiced concern over the effect the joint venture will have on the German market.

ABB is one of the world's three largest railway equipment suppliers alongside Siemens of Germany and the British-French GEC-Alsthom alliance.

The merger with the railway equipment arm of Daimler's troubled AEG subsidiary would make it about 40 per cent larger than its two main rivals, with a 1995 order intake estimated at DM8bn ($5.5bn).

The venture, which will employ 22,000 people in 40 countries, will have its headquarters in Berlin and retain main manufacturing centres in Germany, the UK and Scandinavia.

ABB and Daimler will hold equal shares.

However, Daimler has agreed to pay ABB $900m dollars in cash to compensate for the smaller size and operating losses of the businesses it is contributing.

Both companies have previously said there are no grounds for rejection of the joint venture, although the Bundeskartellamt expressed reservations about an aborted merger plan by Siemens and the AEG railway equipment division two years ago.

It is rare for Brussels to block joint ventures completely although it may demand modifications from the parties involved.

Polish banker takes political gamble

By Christopher Bobinski in Warsaw

The head of Poland's independent central bank, Mrs Hanna Gronkiewicz-Waltz, yesterday said she was ready to stand as the candidate of the united anti-communist right wing in the autumn presidential election.

Her declaration represents a real threat to President Lech Walesa, who is planning to run for a second five-year term. Mr Walesa was hoping to garner the support of the various disparate right-wing, nationalist groups and the Solidarity trade union - political territory which Mrs Gronkiewicz-Waltz is now hoping to capture.

Until now Ms Gronkiewicz-Waltz, who was nominated to the central bank post by President Walesa, has remained his loyal supporter. Indeed the government, led by the former communists, suspected that the bank's tight monetary policies were routed in a desire to improve Mr Walesa's chances in the forthcoming election. However, Mrs Gronkiewicz-Waltz is expected to draw fire from President Walesa for pulling the central bank into the political fray.


Hanna Gronkiewicz-Waltz

The bank is already under attack from Mr Grzegorz Kolodko, the deputy prime minister and finance minister, who says its delay in lowering interest rates has contributed to higher than planned inflation this year, currently at an annualised 31 per cent. Mrs Gronkiewicz-Waltz's entry into the political arena is likely to increase attacks on the bank's policies.

An academic specialising in banking law who came to head the bank three years ago, Mrs Gronkiewicz-Waltz argues that President Walesa's chances of winning the elections are so low that he should step aside. She said he should allow a stronger candidate to lead the campaign to stop the former communist Left Democratic Alliance (SLD) from capturing the presidency.

Mrs Gronkiewicz-Waltz said in recent interviews that President Walesa's achievements were so great that he should not risk defeat in the elections.

Mr Alexander Kwasniewski, the SLD leader, is leading the polls in the presidential race with about 20 per cent support, while Mr Jacek Kuron, a former dissident and Solidarity adviser who is running a moderate anti-communist campaign, has an 11 per cent rating, slightly less than Mr Walesa's 12 per cent.

In the most recently published polls, Mrs Gronkiewicz-Waltz enjoyed a 4 per cent share of the vote.

The anti-communist right, whose roots are in the Solidarity movement, remains as split as it was in the 1993 parliamentary election.

On that occasion the various right-wing groups stood separately and failed to enter parliament while the former communists went on to form the government thanks to an electoral law favouring the larger parties.

The various right-wing leaders have said that they will agree on their common candidate early next month.

Row over Russian way of making capitalists

By Chrystia Freeland

When Novosibirsk was founded just over a century ago it was swiftly dubbed the Russian Chicago. Now, with the collapse of communism, the city – established to serve as Russia's gateway into the wild steppes of Siberia – has again become one of Russia's frontiers.

An intense legal and political battle being waged at the Novosibirsk Tin Factory, the former Soviet Union's monopoly producer, is emerging as a test case of Russia's capitalist transformation.

Like many of Russia's more talented former Soviet factory directors, Mr Alexander Dugelny, the enterprise's manager for the past eight years, has succeeded in using the privatisation process to transform himself from communist functionary into capitalist proprietor.

A vigorous 42-year-old who sports the obligatory sharp western suit and sleek mobile phone of Russia's *nouveaux riches*, Mr Dugelny still enjoys the tremendous power of personal patronage which was the traditional prerogative of Soviet industrial managers. For the tin factory's 1,300 employees "he is tsar and god", his former personal assistant says.

Today he owns nearly 5 per cent of the factory outright and admits that, in effect, he controls a majority stake in the enterprise through intermediaries. The Novosibirsk factory's capacity of 20,000 tonnes of tin a year, and its output of 11,000 tonnes last year – more than five times greater than that of its nearest European rival – makes Mr Dugelny's newly acquired portfolio a valuable one.

The metamorphosis of men like Mr Dugelny from comrades into capitalists has been one of the most typical stories in Russia' chaotic transition to the market economy and liberal reformers in Moscow have quietly sanctioned this "*nomenklatura* privatisation" as the only politically feasible means of breaking with Russia's 70-year communist legacy.

However, in Novosibirsk, the politically expedient calculation of Muscovite reformers has run into a roadblock which could have consequences for Russia's ambitious privatisation programme.

Over the past year, a small band of lawyers and police investigators, aided by a crusading reporter, have set out to prove that the privatisation of the Novosibirsk Tin Factory was illegal. Their allegations rest on a number of byzantine twists in Russia's convoluted privatisation legislation, but the gist of the case is that, in order to take over the factory cheaply, Mr Dugelny artificially reduced the buy-out price and manipulated factory workers into selling him their shares.

The journalist whose stories helped to spur the investigation has been physically threatened and factory employees who challenged the privatisation have been pushed out of their jobs, but, remarkably, three Russian courts have upheld their contention that the factory was privatised in an illegal manner and ruled that the privatisation must be revoked.

A final appeal is now pending before the Presidium of the Higher Arbitrage Court, the nation's highest civil court, and criminal investigations have been launched against the Novosibirsk Tin Factory's management. The court's decision, expected later this year, and the outcome of the investigations are likely to mark a turning point in Russia's anarchic race to the market economy.

Mr Dugelny's opponents, who have seized upon the case with an almost missionary zeal, believe that if the higher court uphold the rulings of the lower chambers their decision will be a watershed victory for the rule of law over the largely unbroken might of the *nomenklatura*.

As Ms Yana Rogozhina, the tough 32-year-old prosecutor who led the investigation, explains: "Some people say that the prosecutor was blocking the development of a new economic order, but the end does not justify the means. The prosecutor says the law is above everyone and must be followed by everyone."

A police investigator who is pursuing the criminal aspects of the case and asked that his name not be reported, warns that unless the "illegal seizure" of assets by Russia's former *apparatchiks* is stopped now, the seeds could be sown for trouble in the future. "What will happen in a few years when the country wakes up and sees who owns it?" he asks.

But Mr Dugelny and his supporters, who include the architects of Russia's economic reforms, see him as a martyr to lingering Russian opposition to private business and warn that if he loses his legal battle the real victim will be Russia's fragile capitalist economy.

Mr Dugelny admits to some of his critics' harshest allegations, but sees no wrong in them. For example, one of his policies which provoked the fiercest outcry in Novosibirsk was the internal system he established within the factory whereby he and his intermediaries bought shares from the workers in exchange for consumer goods purchased at the factory's expense.

But Mr Dugelny argues that his 20 years of service to the factory have entitled him to reap some of the benefits of privatisation and asks why Muscovite financiers and traders, rather than the Soviet industrial elite, have a greater right to become the country's new capitalists.

Mr Dugelny's strongest defence, and one which has been taken up by Mr Anatoli Chubais, the deputy prime minister who led Russia's privatisation drive, is that, no matter what sins were committed along the way, privatisation cannot now be reversed.

"The important question is, what is the goal of raising this issue?" Mr Dugelny asks. "Do we want laws for their own sake, or laws for the sake of society?"

Even Mr Dugelny's opponents admit that if the privatisation is annulled, protecting the rights of legitimate outside shareholders would be a problem. As the Novosibirsk police investigator concedes, "to protect the rights of honest shareholders is very hard because to separate them from the dishonest shareholders is nearly impossible".

NEWS: THE AMERICAS

Sense of betrayal in Democratic camp

President Clinton's budget cuts plan is firmly rejected by his own side, reports **Jurek Martin**

The "morning after" reactions to any significant presidential initiative can often be written in advance. His party will broadly support him, the opposition will not and battle will again be joined.

That was not President Bill Clinton's fate yesterday after he had told the nation in a television address on Tuesday night that he proposed to balance the federal budget in 10 years, rather than seven as the Republicans wanted.

Far more significant than the faint Republican praise for his Damascene conversion – "too little and a bit late" was the standard response – was the palpable sense of betrayal from Democrats in Congress.

The mere act of Mr Clinton signing up to the deep budget-cutting advanced by the Republicans far offset in their eyes his kinder, gentler and longer-term approach, which spared education and took less of an axe to healthcare for the old and poor.

Congressman David Obey of Wisconsin, senior Democrat on the House appropriations committee, thought Mr Clinton had again caved in to pressure. "I think most of us learned some time ago that if you don't like the president's position on a particular issue you simply need to wait a few weeks."

Congressman Richard Gephardt and Senator Tom Daschle, the two minority leaders, had earlier tried to talk the president out of his new tack. Afterwards, Mr Gephardt commented:

Daschle (centre) and Gephardt (right) failed to get Clinton to drop his new tack, while all Byrd said was "flip-flop".

"The real losers will be the elderly and the families that support them." All Senator Robert Byrd, the prolix West Virginian, could say was "flip-flop".

Congressman Donald Payne of New Jersey, head of the congressional black caucus, which has usually been in the president's corner, said: "Ten years is as unreasonable as seven to make these cuts. It's a quantum leap backwards for social policy."

Even Senator Joseph Lieberman of Connecticut, no flaming liberal, qualified his opinion. "I think he's being smart, but I'm afraid I'm in the minority up here." Congressman Charles Stenholm from Texas was rare in his praise. "There has to be a point when you stop saying what you're against and say what you're for." However, the senator has long been a budget hawk.

Tensions between president and party were evident in Mr Clinton's first two years but were kept under control by the Democratic majority leadership – Senator George Mitchell and Congressman Tom Foley, the Speaker – to the point that legislation unpopular with rank-and-file Democrats, such as the North American free trade agreement and the Uruguay Round, was passed.

Now that it is in the minority, the party's agenda seems to be diverging from that of the president ahead of next year's elections. Congressional Democrats, especially liberals, believe their best chances lie in fighting to keep the social infrastructure the party has built over the last 60 years.

They were comparing Mr Clinton's conversion to giving support to the need for a balanced budget with President George Bush's 1990 agreement to a tax increase. This flew in direct contradiction of his "read my lips, no new taxes" promise of the 1988 campaign and severely weakened his re-election prospects.

The president, on the other hand, senses a strong tide running in favour of balancing the budget among the independent-minded voters whose support he needs if he is to improve on the 43 per cent electoral share he won in 1992.

Equally, by entering the budget battle with his own, if still sketchy, plan, he may stand a better chance of modifying or stopping the most radical Republican cuts in social spending, many of which remain unpopular with the public.

Mr Clinton is also a "policy wonk", as knowledgeable as any politician about how government actually works and what it does well and badly. To stand on the sidelines while the Republicans change its nature would surely have tested his patience.

Chilean army defies Frei government

By Imogen Mark in Santiago

The Chilean army has taken General Manuel Contreras, the former secret police chief, into its own care, in a move that appears to challenge government authority.

The army has made no secret of its unhappiness with a Supreme Court ruling sentencing Gen Conteras to six years' imprisonment for the 1976 murder of Mr Orlando Letelier, a former Socialist minister, in Washington.

Army chief and former military ruler General Augusto Pinochet has said his forces would respect the order.

But the army mounted an elaborate operation before dawn on Tuesday to move the general from his farm in southern Chile to a naval hospital at Talcahuano, near the town of Concepción. He was smuggled out without the knowledge of the police guards around his property.

The army also flew a decoy aircraft to Santiago, apparently to distract the press, while Gen Contreras was taken by helicopter to Talcahuano. The army claimed later the general's health had deteriorated suddenly forcing a landing at the hospital instead of flying to Santiago.

The government was kept in ignorance of the former general's whereabouts for several hours. Mr Carlos Figueroa, the interior minister, admitted that the government had "contradictory information" about Gen Contreras's movements.

President Eduardo Frei broadcast a televised message on Tuesday calling on all citizens to respect the law and democratic institutions, and to have confidence in the democratic regime.

Any questioning of due legal process "would put at risk our stability, our country's international image and our national life together".

Opposition party leaders blamed the government and the judiciary for the delay in executing the sentence, passed two weeks earlier. Last-minute appeals by the defendant's lawyers have delayed the detention order, expected to be served on the general yesterday.

Opposition lodges evidence to show PRI may have spent 60 times more than allowed

Zedillo faces funding scandal in Tabasco poll

By Leslie Crawford in Mexico City

Sixteen boxes of bank ledgers, check stubs, invoices and receipts have landed Mexico's ruling Institutional Revolutionary party (PRI) in one of the more embarrassing scandals of its 66 years in power.

The boxes were presented by the opposition Revolutionary Democratic party (PRD) to the attorney-general's office late on Tuesday as apparent evidence of illicit campaign spending during elections in the south-western state of Tabasco last November.

The PRD claims the documents prove the PRI spent 237m pesos, then worth $70m, on the governorship race which Mr Roberto Madrazo, the PRI candidate, won.

The figure exceeds the legal limit on campaign spending 60 times over, and is more than twice the amount President Ernesto Zedillo reported spending on his presidential campaign last year. Officially, the ruling party spent just under 4m pesos on Mr Madrazo's campaign. He polled 290,000 votes.

"We knew very little about how the ruling party spent its money, but now, for the first time, we have documentary proof of the PRI's illegal and lavish spending in a state election," alleged Mr Andrés Manuel López Obrador, the defeated PRD candidate in Tabasco.

Mr López Obrador has mounted a bitter attack on his PRI rival and asked Mr Antonio Lozano, the attorney-general, to investigate. Mr Madrazo has refused to comment on the allegations.

The local PRI in Tabasco said the documents were forgeries.

However, it has also filed charges in the local courts accusing the PRD for theft.

In private, government officials say they have no doubt the documents are genuine and that they were leaked by someone within the PRI who bore a grudge against Mr Madrazo.

"This is an awful scandal for [President Ernesto] Zedillo," said a senior government official. "It typifies everything the president is fighting against: dirty elections, no accountability." The official, however, doubted Mr Madrazo would be forced to resign.

Mr Madrazo, a powerful operator in his oil-rich state, staged an unprecedented rebellion by the local PRI in January, when he came under pressure to resign following the PRD's allegations of electoral fraud.

His supporters blocked highways, closed down businesses in the state capital Villahermosa, and briefly took over the state television network to broadcast their defiance of Mr Zedillo.

Following the riots, the government claimed it had never asked Mr Madrazo to step down.

Many in government have named the scandal "Moctezuma's revenge". Mr Esteban Moctezuma, the interior minister, has not forgotten Mr Madrazo's revolt against his central authority. Both men are rivals in their ambition to lead the national party.

"At stake is who gets to rewrite the rules for the nomination of the next presidential candidate," one government official said. Mr López Obrador, meanwhile, plans to camp out in Mexico City's rain-drenched central square, the Zócalo, until the government attends to his complaints.

"The government cannot afford to ignore the accusations," said Mr Santiago Creel, a citizen councillor at the Federal Electoral Institute.

"The documentation raises questions about the source of those campaign funds."

Havana permits private restaurants

By Pascal Fletcher in Havana

Cuba's government authorised private restaurants yesterday but at the same time applied strict regulations and hefty monthly licensing fees.

While the measure had been long expected as a further step in Cuba's cautious economic reforms, many owners of existing clandestine restaurants in Havana complained that the high fees would force them to shut.

"I was just doing it to get by. With these fees, I'll have to close down," said one woman who had been running a small clandestine restaurant charging $1 a meal in the back yard of her home in the Havana suburb of Miramar.

The government had until now been turning a blind eye to the dozens of private restaurants, known as "paladares" after a word borrowed from a popular Brazilian television soap opera, which had sprung up in homes and back yards in Havana and other cities.

Following the latest authorisation, private restauranteurs, who could include permanent foreign residents in Cuba, would have to pay a minimum monthly fee of 400 Cuban pesos ($100).

NEWS: WORLD TRADE

Airbus to run military project

By Bernard Gray in Paris

Airbus is to manage the development of the new Future Large Aircraft military transporter, it was announced at the Paris Air Show yesterday.

The European aircraft consortium will be the largest single shareholder in the project. The four owners of Airbus – Aérospatiale of France, Daimler-Benz Aerospace of Germany, British Aerospace and Casa of Spain – will hold the remainder of the shares, along with Alenia of Italy.

Final shareholdings in the group have not yet been agreed and will depend on the number of aircraft each country chooses to buy when the project is reviewed in spring 1996.

However, British Aerospace said that Airbus would not have a 51 per cent shareholding in the new venture, which would have allowed the FLA project to operate as a subsidiary. Instead, the FLA company will be an associate of Airbus with the Airbus consortium managing the project.

The British Ministry of Defence yesterday welcomed the agreement, notably the fact that it would be under Airbus' commercial management. "The UK is actively involved in seeking to establish a way of rejoining the project," the ministry said.

Airbus management of the military project is a new phase in the 25-year history of the consortium, which has established itself as the world's second largest manufacturer of civil aircraft after Boeing of the US. An operational team has been established at Airbus' headquarters in Toulouse to prepare the next phase of of the FLA programme.

The pre-development phase of the FLA is due to last from 1996 to 1998 and full development between 1998 and 2003 with production schedules thereafter.

However, the crucial test for the aircraft will come next year when the partner governments have to agree on the number of aircraft to be purchased and will have to provide funds for the £2bn to £3bn development programme.

The Euroflag consortium, which has been responsible for the FLA so far, is being wound up. At the same time, the feasibility study for the FLA has been completed, confirming that the aircraft will carry 25 tonnes of payload more than 2,000 nautical miles and will be able to operate from short semi-prepared runways.

The FLA will be powered by four turboprop engines and will have a four metre-wide cargo bay to allow it to carry two Land Rovers side by side.

The Boeing 777-300: suitable for high-density medium-range routes, it can seat up to 550

Boeing wins $3.1bn orders

By Michael Skapinker, Aerospace Correspondent

Four Asian airlines have promised orders worth $3.1bn for 31 Boeing 777-300s (pictured above), Boeing said yesterday.

Twenty of the orders for the lengthened versions of the Boeing 777 are new. The others are either confirmations of existing orders or conversions of orders for other 777 models.

The first 777-300 – which can carry up to 550 passengers – will be delivered to Cathay Pacific in spring 1998, with deliveries to the other three buyers – All Nippon Airways, Korean Air Lines and Thai Airways International – to start later the same year.

The announcement of orders for the "stretched" model follows the entry into service last week of the first version of the aircraft, the 777-200. The standard 777 carries between 300 and 400 passengers.

Boeing said the "stretched" model would be 33 feet longer than the 777-200, with a total length of 242 feet. A 777-300 with three classes would carry 368 passengers. An aircraft with only business and economy class could carry 451 passengers, while an all-economy 777-300 could hold 550 passengers.

Mr Ron Woodard, president of the Boeing commercial aircraft group, said he expected airlines to use the 777-300 as a replacement for early versions of the Boeing 747.

He said the "stretched" 777 would have the same passenger capacity as the early 747s but would burn one-third less fuel and have 40 per cent lower maintenance costs. Boeing said it expected the 777-300 to be used on high-density medium-range routes. It will continue to offer its 747-400 for very long-range routes.

Boeing said ANA had ordered 10 new 777-300s in addition to 18 existing orders for 777-200s. Cathay Pacific will be taking seven of its 11 existing 777 orders in the stretched version. Korean Air Lines will order four 777-300s and convert another four of its eight 777-200 orders to the "stretched" version.

Thai will be ordering six 777-300s in addition to eight 777-200s already on order.

● Daimler-Benz Aerospace (Dasa), the aerospace subsidiary of Germany's biggest company, yesterday said it had sold 13 used Dornier 228 turboprop aircraft to Aeronautical Industrial Engineering and Project Management, a Nigerian aviation company which operates mainly domestic flights, Michael Lindemann adds from Bonn.

At the Paris air show this week Dasa has sold three new Dornier 228s to the Royal Thai Navy, which now operates a total of six such aircraft for coast guard duties.

Shorts wins £40m military contracts

By John Murray Brown in Dublin

Short Brothers, the British aerospace company privatised in 1989, has won two military support contracts worth £40m ($62.8m) with Middle East customers.

The deals were announced yesterday by company president Mr Roy McNulty, during the Paris airshow and involve the maintaining of communication systems and support equipment, and training technical and maintenance personnel in several Middle East countries.

Mr McNulty said the military support business was an "important and growing market sector" for the Belfast company, and the contract would further strengthen their position.

Shorts, now owned by Bombardier of Canada, also announced a missile agreement with Texas Instruments of the US, to supply the British defence ministry.

The company also announced a series of co-operative and licensing agreements and the winning of a £2.6m Ministry of Defence contract to supply the Stiletto series supersonic target for air-to-air combat training.

Deficit drove Brazil car curbs

Angus Foster on a setback to the past five years of liberalisation

São Paulo's Europa Avenue, nicknamed "import alley" because of its miles of showrooms for shiny imported BMW and Japanese cars, was looking decidedly lacklustre yesterday.

The Brazilian government's decision on Tuesday to set a limit on car imports this year and introduce quotas from next January has left not just concessionaries angry. A former finance minister described the measure as "an unnecessary step back". A former central bank governor said it would hurt consumers. And the World Bank's chief economist for Latin America, Mr Sebastian Edwards, described the move as a "very worrying precedent".

Mr José Serra, planning minister and the man most in favour of the measures, insisted they were not protectionist and formed part of a new industrial strategy for Brazil's car industry. But perhaps the most telling response was the immediate welcome the new policy received from São Paulo's industrial federation, a notoriously protectionist lobby.

The measures, a big setback for Brazil's five-year-old economic liberalisation, stem from a mounting trade deficit since a new anti-inflation currency was launched last July. A growing economy, overvalued Real currency and consumer optimism led to a flood of imports and an accumulated deficit for the first four months of this year of $2.79bn.

Rather than devaluing, the government decided to use curbs on car imports, which had risen rapidly since November, as a way of bringing down the deficit. In March, import tariffs were raised from 32 to 70 per cent, but not before a government mishandling of the announcement led to a last-minute flood of import orders.

Tuesday's announcement goes even further and sets a fixed limit on the number of cars to be imported this year. About 200,000 vehicles have been imported so far, and the government will allow only a further 50 per cent of that total, or about 100,000. If cars waiting at Brazil's ports and on order from foreign factories are included, the limit may already have been reached.

From next year, the government will limit the imports of car makers with plants in Brazil to a fixed proportion of their exports, probably 1 for 1. These companies, which include Volkswagen, General Motors, Ford and Fiat, will also start to enjoy tax benefits on their imports of components.

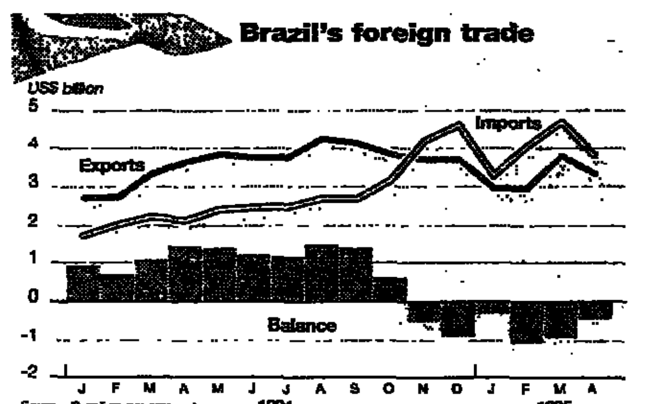
If, as most analysts expect, the demand for imported cars remains high, the government will insist that car makers without production in the country will have to bid for import quotas. These are likely to be set at a fixed proportion of domestic production, yet to be decided.

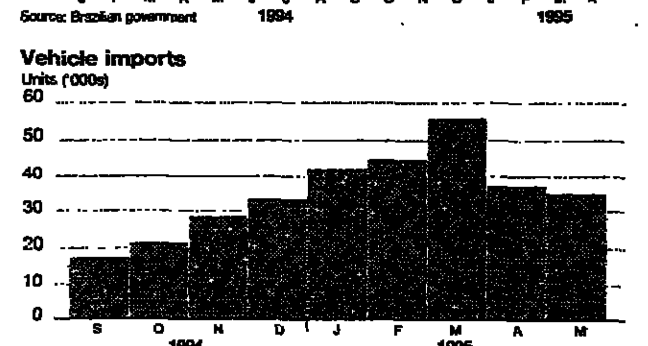
The government said a final decision on whether to introduce the quotas would depend on imports and the country's balance of payments this year. But analysts said the 70 per cent tariff would need to be renewed in March and the quota system would be introduced then in its place.

Ms Dorothea Werneck, industry minister, said the new rules would promote investment by car companies in Brazil while the tax benefits would make Brazilian exports more competitive. Car manufacturers, which last year produced 1.58m vehicles, hope to be making 2.5m-3m units by the end of the century, making Brazil one of the largest producers.

Brazil's foreign ministry said the new measures did not contradict its responsibilities under the World Trade Organisation, but the country's trade partners may not agree. Under WTO rules, quotas are illegal except under specific circumstances, only one of which – an imminent balance of payments problem – may be relevant in Brazil's case.

But Brazil's foreign reserves are above $30bn and ministers keep insisting it will record an overall trade surplus this year. Car imports have fallen sharply since the tariff increase, and are less important than imports of other consumer durables and capital goods. Trade partners such as the US, which expressed "concern" about the 70 per cent tariff, may argue the latest measures are not suitable.





Argentina fears industry damage

By David Pilling in Buenos Aires

The Argentine car industry could be seriously damaged if Brazil were to impose quotas on imports of Argentine vehicles, officials in Buenos Aires said yesterday.

Mr Domingo Cavallo, economy minister, said such restrictions would "violate agreements" made at Ouro Preto last year, in which rules for the vehicle sector were established as part of the Mercosur customs union. Under that agreement, Argentine carmakers have free access to the Brazilian market.

On Tuesday morning, Argentina had been convinced it had won the assurance of Mr Fernando Henrique Cardoso, Brazil's president, that its vehicle exports would continue to be exempt from quotas.

But officials yesterday admitted to being "confused" by the wording of the decree, issued on Tuesday night, which seemed to imply Argentina was not.

The possible rule changes coincide with a bad time for Argentina's vehicle industry which has suffered a 38 per cent fall in domestic sales this year as credit becomes less easily available in the aftermath of Mexico's devaluation.

To compensate, Argentine manufacturers have boosted exports to Brazil by 40 per cent, hoping to transform last year's sectoral trade deficit of $1bn with its northern neighbour into a surplus of $600m.

Restrictions on Argentine cars could affect the plans of several multinationals, such as General Motors, Ford and Fiat, which have pledged to invest $3bn in setting up production plants in Argentina.

Most have done so with the intention of exporting to Brazil, whose vehicles market is four times bigger than Argentina's.

NEWS: ASIA-PACIFIC

French ties cut by New Zealand and Australia

By Nikki Tait in Sydney, Terry Hall in Wellington and William Dawkins in Tokyo

Australia and New Zealand yesterday said that they were freezing all defence co-operation with France, in protest at the decision by Paris to recommence nuclear testing in the South Pacific. Japan also reacted angrily to France's decision, a doubly sensitive matter on the 50th anniversary of the atomic bombing of Hiroshima and Nagasaki.

French President Jacques Chirac announced on Tuesday that his country would begin a series of eight tests at Mururoa Atoll in September, ending a three-year moratorium. France *plans to conclude the tests by* May 1996, in time to sign an international test ban treaty.

Mr Yohei Kono, Japan's foreign minister, said the move betrayed the trust of non-nuclear countries, which had recently agreed indefinitely to extend the nuclear non-proliferation treaty. Mr Hervé de Charette, his French opposite number, informed Mr Kono of the decision by telephone yesterday.

In reply, Mr Kono asked the French government to reconsider the tests.

Mr Tomiichi Murayama, the Japanese prime minister, plans to raise what he called the "regrettable" decision at the summit of the Group of Seven industrialised nations which opens today in Halifax, Nova Scotia.

The French decision provoked strong criticism among delegates at a United Nations conference on disarmament in Nagasaki. Mr Wolfgang Hoffman, Germany's representative to the UN conference on disarmament in Geneva, dubbed it "politically incorrect".

In a formal statement Mr Paul Keating, Australia's prime minister, said that Australia "deplored" the decision and was "adamantly opposed to nuclear testing by any nuclear weapon state". He added: "In recent months, we have made our opposition very clear to the French, including *to President Chirac.*" Mr Keating is understood to have written personally to the French president, arguing against a resumption of testing.

Meanwhile, in a snap debate in parliament in Wellington, Mr Jim Bolger, New Zealand's prime minister, said New Zealand troops had died "in their thousands" in two wars helping defend France and had received in return the "absolute rejection of the South Pacific" so that the French military could get "bigger toys".

There is growing popular support for New Zealand to send a frigate to the test zone, as the then Labour government did in 1974. However, Mr Don McKinnon, New Zealand's foreign minister, said that the world was "very different from the cold war days of 1974" – and that one problem was a 200-mile economic zone around the French Pacific territory.

Mr McKinnon told Mr de Charette by telephone yesterday that France was disregarding world opinion, and abruptly stopped a meeting with Mr Jacques Le Blanc, the French ambassador, after the diplomat kept coming up with "lame excuses" for the resumption of tests.

Meanwhile, the 15-nation South Pacific Forum, whose leaders are due to meet around the time that the French tests recommence, strongly condemned the decision, saying that it demonstrated "flagrant disregard" for world opinion and that its timing was "particularly provocative".

Philippine President Fidel Ramos said: "Testing of this nature will again encourage the production of nuclear arms, which is counter-productive to the environment of peace that we now enjoy here in our region." Indonesia's Foreign Office said France was in breach of an agreement at the recent UN Nuclear Non-proliferation Treaty conference for nuclear weapons states to exercise restraint.

In a marked contrast to elsewhere, reaction from European governments was mild or non-existent. The British foreign office said: "We see no reason why a limited programme of tests need affect the prospects of a successful negotiation of a comprehensive test ban treaty."

For New Zealand, Mr Bolger said defence links with France, except those affecting humanitarian and UN peacekeeping roles, would be frozen. Senator Bob McMullan, Australian trade minister, said existing defence links such as training and joint maritime air surveillance would be maintained, but new ties, including defence contracts, would not proceed.

But despite the expressions of outrage, no wider trade sanctions against France were threatened yesterday, although the Australian Council of Trade Unions urged consumers to boycott French products – a tack endorsed by Senator McMullan.

"We don't intend at this stage to pursue some sort of breach of international law *that would allow us to take* unilateral action against France. . .and if contracts have already been entered into, *we're not suggesting people* should breach them. But I think a lot of [Australians] will. . . make our disapproval effective through the checkout counter and through the way we use our money." French exports to Australia were worth A$1.6bn (£721m) in 1994.

The widespread indignation could also raise particular difficulties for Axa, the French insurance group, which is seeking to acquire a 51 per cent interest in National Mutual, Australia's second largest life company, for A$1.1bn.

The agreed deal needs the backing of 75 per cent of policyholders, and some anti-French sentiment because of the nuclear issue is already evident. This has been particularly prominent in New Zealand, where about 38 per cent of NML policyholders live.

Dominique Girard, French ambassador to Australia, waves away reporters after meeting foreign minister Bob McMullan Reuter

Negotiations scheduled in a week as Tokyo seeks to head off a breakdown in relations

Japan and US agree to resume car talks

By William Dawkins in Tokyo

The US and Japan agreed yesterday to resume talks on *their car trade dispute, so* reducing the risk of the row disrupting the Group of Seven industrialised nations' summit, *which opens today in Halifax,* Nova Scotia.

Mr Ryutaro Hashimoto, Japan's minister for international trade and industry, yesterday invited the US to send senior officials to reopen talks in Geneva on June 22 and 23, less than a week before the June 28 deadline for US tariffs on $5.9bn (£3.7bn) of Japanese luxury car imports. The most recent round of talks in the 20-month dispute broke down on Monday night.

The invitation partly reflects Japanese eagerness not to allow the trade row to harm other areas of its relationship with Washington. Mr Tomiichi Murayama, the Japanese prime minister, will today meet President Bill Clinton in an attempt to smooth relations, before the start of the G7 summit in Halifax. It also reflects the Canadian host government's anxiety to prevent the trade row from interfering with the summit's busy agenda.

The two leaders may today discuss cars, but will not negotiate, said officials. Mr Murayama is also expected to tell Mr Clinton that the Japanese government is prepared to make more increases in public spending to stimulate the fragile economy and curb the current account surplus.

In another gesture towards keeping the trade row at bay during the summit, Mr Hashimoto announced that he did not plan to meet Mr Mickey Kantor, the US trade representative, in Halifax. Japan would attend the next Geneva talks "without any preconditions", said Mr Hashimoto. The move was welcomed both by leading Japanese car makers and by Mr Walter Mondale, the US ambassador to Japan.

Japanese officials are aware that Mr Clinton's need to satisfy the Republican Congress gives him little room for manoeuvre on the car trade dispute. They do not want to jeopardise the mutual reassurance achieved at the previous Murayama-Clinton bilateral in Washington in January.

Mr Murayama, attending what may turn out to be his final international gathering as Japanese leader, equally wants to push ahead with other priorities at the G7, say officials.

Tokyo would especially like to see an improved early warning system for countries in financial trouble, to reduce the risk of a Mexico-style catastrophe taking place among the emerging economies on its own doorstep in east Asia.

Japanese officials have fought hard for the inclusion of such a plan in drafts on which the summit communiqué will be based. Mr Murayama is also expected to support draft plans to double the emergency loans available to crisis-hit countries under the International Monetary Fund's general agreement to borrow.

In addition, Japan is eager to make its first contribution to the G7's deliberations on Bosnia. Mr Yohei Kono, deputy prime minister and foreign minister, early last month became the first Japanese cabinet member to make an official visit to Croatia, where he indicated that Tokyo was willing to help mediate in the Balkan conflict.

Mr Kono, who will accompany the prime minister in Halifax, is keen to demonstrate Japan's interest in matters outside Asia, thus bolstering its candidacy for a permanent seat on the United Nations Security Council.

Hashimoto: not planning a meeting with Kantor

Mr Yasuo Matsushita, governor of the Bank of Japan, yesterday repeated concerns that the economy might fall back into recession, writes William Dawkins in Tokyo. An improvement shown in a *recent central bank survey of* business conditions was confined to manufacturing and had yet to be felt in service industries, he warned.

"Japan's economy has been on a moderate recovery trend for the past year and a half, but recently the slowness of its tempo is particularly noticeable," Mr Matsushita told a conference. His reasons for anxiety included the yen's sharp rise, continued pressure for job reductions, and increased competition from lower-cost Asian neighbours.

Mr Matsushita also referred to the weakness of the financial system, burdened by a growing volume of bad debts. Conversion of bad loans into marketable securities would help banks dispose of non-performing assets, he said, touching on an unresolved debate between leading banks and the finance ministry.

Banks are keen to make use of debt securitisation, possibly on a very limited scale in Japan, but the cautious ministry has so far been unwilling to permit what it fears may turn out to be a undesirably speculative market. Mr Matsushita has since taking office last December hinted several times that securitisation would help the banks.

Pakistani budget side-steps IMF targets

By Farhan Bokhari in Islamabad

The Pakistani government yesterday unveiled an annual budget which appeared to distance the country from a structural adjustment programme being undertaken with the International Monetary Fund.

The budget contained a target of reducing the country's chronic budgetary deficit from 5.6 per cent of the gross domestic product only to 5 per cent during the coming year – significantly higher than a target of 4 per cent agreed earlier with the IMF.

Pakistan is in the second year of the three-year programme under which it is due to receive $1.5bn (£940m). So far the country has drawn down just under a third of that amount, with the most recent tranche disbursed last September. However, the future of the programme has fallen into doubt, as the country has failed to meet the performance criteria set by the Fund for the fiscal year which ends this month.

In the budget the government of Ms Prime Minister Benazir Bhutto also announced that maximum tariffs would be cut from the present rate of 70 per cent to 65 per cent – above the earlier target of 45 per cent agreed with the IMF.

Mr Makhdoom Shahabuddin, minister of state for finance, said while giving the budget speech: "The less drastic the reforms, the less drastic the burden on our honourable, hardworking citizens."

Independent analysts and western economists in their first reaction described the budget as one which avoided harsh measures that could be politically damaging. The government is to raise up to PRs16.3bn ($543m) through new revenue and taxation measures, after several days of speculation that the amount could be at least double that.

Domestic fuel prices were increased by 5 per cent while the wealth tax charged on farmland was raised by 25 per cent. The government also promised to get tough with tax evaders by improving the efficiency of the tax department through measures such as computerisation. Duty free allowances for Pakistanis returning from abroad were also reduced. The government forecast that it may earn more than PRs1bn through the changes in the customs procedures.

An IMF mission is due to visit at the end of this month to discuss the future of the programme, and the outcome of the talks is not clear. But some Pakistani officials are convinced that the country's success in building up its official foreign exchange reserves to $2.6bn, equivalent to 12 weeks of imports, almost 10 times the amount of two years ago, will help strengthen its case with the Fund.

ASIA-PACIFIC NEWS DIGEST

US urges boat people to return

The United Nations High Commissioner for Refugees said yesterday it had distributed an open letter from the US consulate in Hong Kong to Vietnamese boat people urging them to return home. The letter, signed by Mr Jeffrey Bader, acting US consul general, said the Clinton administration was opposed to US congressional proposals calling for resettlement of some 40,000 Vietnamese refugees still in Asian camps. Nearly all have been through a screening process at which they have been judged ineligible for refugee status and therefore not entitled to resettlement. Excitement over the congressional proposals has been blamed for recent unrest in detention centres throughout the region.

The US "is unequivocal in its belief that return home is the sole remaining option for those who are not refugees", said the letter. It also told the migrants that many of those who choose to go home may become eligible for legal emigration. It noted that "nearly 600,000 Vietnamese have already been resettled in other countries by applying in Vietnam to various orderly departure programmes". *Reuter, Hong Kong*

South Korean budget up 14%

South Korea's Finance Ministry said it would propose a budget for calendar 1996 of between Won62,500bn (£51bn) and Won63,000bn, a 14 to 15 per cent increase from this year's Won54,830bn. The proposal, which will now be discussed by cabinet and parliament, was far less than the Won78,310bn which about 40 government offices had demanded. A ministry official said the draft was based on a forecast that the economy would grow 7 per cent next year in real terms from a projected 8 per cent this year. *Reuter, Seoul*

Manila land dispute erupts

Ayala Land, the Philippines' biggest property company, is to sue the Philippine government over the bidding process for a 240 hectare site of prime Manila real estate. The contract to develop Fort Bonifacio was won in January by a 19-member consortium led by Metro Pacific, Philippine subsidiary of Hong Kong-based First Pacific. It offered 33,000 pesos (£800) per square metre for the site. Ayala Land, which came second offering 24,000 pesos, says the Metro Pacific broke the rules by submitting a flawed surety *bond to guarantee the second* 19.6bn peso half of the payment. *Edward Luce, Manila*

White House to decide Vietnam recognition soon

By Nancy Dunne in Washington

The White House is debating a recommendation by Mr Warren Christopher, the US secretary of state, that Washington establish diplomatic relations with Vietnam for the first time since since 1975, when US troops were airlifted out of the country in a humiliating withdrawal.

A decision is expected by the end of the month. If it is favourable – and most observers expect that it will be – then Mr Christopher may visit Vietnam at the end of an Asian trip in early August.

The US has been moving slowly towards full diplomatic relations for years, with Hanoi providing increased co-operation in the US effort to locate missing US prisoners of war. Hope that some of the missing may yet be found alive has faded as one mission after another returned with nothing more than bones.

"The time is right. The moon, the planet, the stars, all are lining up on this one," said a State Department official.

Senator John McCain, a Republican and former prisoner of war in Vietnam, last month called for a normalisation of relations. This provides political cover for the White House and ensures that criticism from Republicans on the Capitol Hill will be muted.

Congressman Bill Richardson, a New Mexico Democrat, recently returned from Vietnam with 100 pages of material on the missing.

"Given Vietnam's massive and recent co-operation on the MIA [missing in action] issue, I think it may be time to recognise them," he said. Vietnam also has turned over other documentation relating to more than 1,600 Americans considered missing in action.

Mr Christopher's support for recognition is reportedly based on a recommendation from Mr Winston Lord, assistant secretary of state for South-East Asia.

Opposition is politically driven and emanates from the National Security Council. However, the State Department official said that no one who opposes diplomatic ties would vote for Mr Clinton in any case.

Movement towards full relations has been urged by the US business community, which sees the former enemy as a market for infrastructure contracts and capital goods. The US is well behind Japanese and European companies in the area.

Cementing its links within the region, Vietnam is next month to become the seventh member of the Association of South-east Asian Nations.

NEWS: INTERNATIONAL

$6bn new fleet deal signals revised flight plan for Saudia

Details, expected to be announced on the Saudi airline's 50th anniversary on Sunday, point toward a restructuring, writes Robin Allen

Saudi Arabia's national airline Saudia is expected formally to announce on Sunday, its 50th anniversary, that it will buy up to 60 long- and shorter-haul aircraft worth some $6bn (£3.75bn) from Boeing and McDonnell Douglas.

The order is likely to be spread over five years or more. At the same time the airline will be radically restructured, according to bankers and industry sources.

Uncertainties over the future shape of the airline industry, as well as Saudi budget constraints, complicated the negotiations with US government agencies and two US companies that lasted 15 months. The latest round took place in Jeddah in the two weeks before a cabinet meeting on June 5 at which the deal is understood to have been approved. Saudia comes under the ministry of defence and aviation.

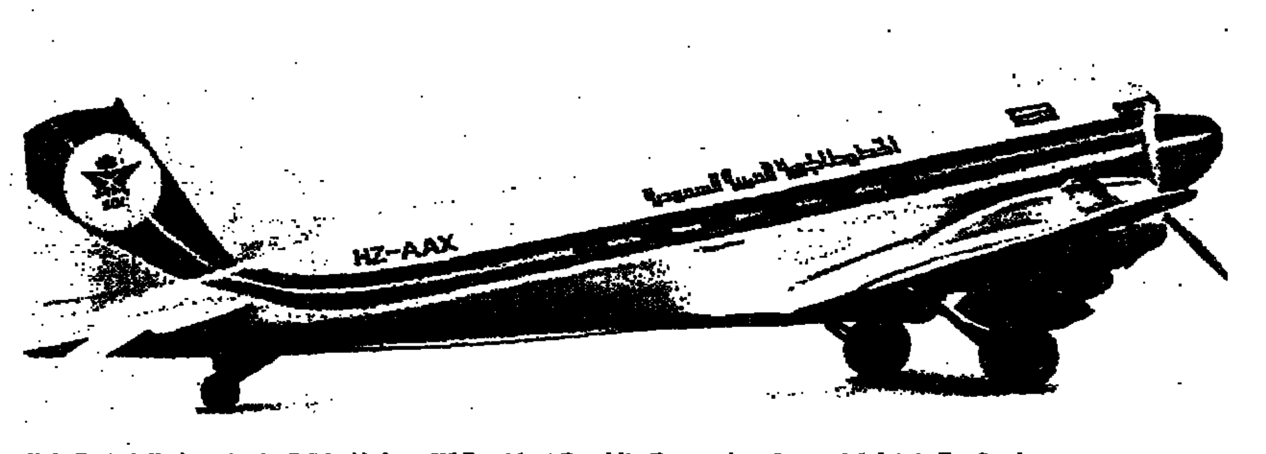
It was 50 years ago, on June 18 1945, after a meeting with King Abdul-Aziz Ibn Saud, the founder of modern Saudi Arabia and father of the present king, that US President Franklin Roosevelt presented the king with a DC-3 Dakota, Saudia's first civil aircraft.

When on February 16 last year US President Bill Clinton announced that the US companies had won the order, it was thought that Saudi Arabia would make firm commitments for the full order. But by the end of last month, the emphasis had changed.

The Saudi decision to buy American aircraft - rather than, say, the European Airbus which was strongly lobbied for by the French and the Germans - was seen by Mr Clinton as Riyadh's thanks to the US for the Gulf war and his early intervention is said to have irritated the Saudis and been behind the delay.

"The intention now is to announce 'serial contracts' - a series of orders staggered over several years," one banker said.

The disadvantage of staggering purchases is that it adds to the $6bn cost. Aircraft ordered in four to five years will cost more than they do today. But extended delivery schedules would give the government greater flexibility in the restructuring and privatisation of Saudia, including, it is suggested, the possibility of part of the $6bn order going to a new airline - either to compete with Saudia on domestic routes or to act as the sole domestic carrier. This would leave Saudia free to concentrate on the profitable international routes, which would make it more attractive to investors.



Saudia's first civil aircraft: the DC-3 gift from US President Franklin Roosevelt to King Abdul-Aziz Ibn Saud 50 years ago

Saudia does not publish its results, but aviation industry sources say it lost $36m in 1993 on operating revenue of $667m. While its results are thought not to have improved last year, it could break even or go into profit this year, after fare increases that followed last January's cuts in subsidies on domestic flights as part of the government's measures to reduce the budget deficit.

Fares went up 20 per cent on first-class domestic flights, 15 per cent on business class and 10 per cent for economy class. Bankers at an air finance conference in Dubai in January reckoned the increases could bring in an extra SR250m ($66.7m) this year.

Saudia has a reputation for inefficiency and for being a bottomless pit for state money. Up to 70 per cent of Saudia's flights are on subsidised domestic routes, with only a third on full-fare international flights but which provide two thirds of the revenue.

"I tend to discount the general impression of Saudia being a bloated loss-maker like other national airlines," said one Saudi banker. "Saudia actually helps the finance ministry in some areas.

"True, it benefits from cheap fuel supplies from state refineries. But its payments are made on time; and what it gets in cheap fuel supplies is offset by what it is owed by other state institutions whose payments are not so timely."

Traditionally Saudia has operated as a subsidised public service. Passengers, particularly on domestic flights, have benefited from cheap tickets. That for years was all Saudia could claim in its "sales pitch".

In return passengers have put up with whatever conditions they found on board. If they are now to pay more, Saudia has to do something to make its services more attractive.

The first - and easiest - way to enhance their domestic and regional image is to replace an ageing fleet. The second is to introduce competition from.

The oldest aircraft in Saudia's 70-strong fleet are the Boeing 737s. Industry sources say these and the Lockheed Tri-Stars in the long-haul fleet have been in operation for 20 years. Some of its Boeing 747s also need to be replaced.

This suggests the airline will replace the international one-third of its fleet with some 20 of Boeing's latest 777-200s; or a combination of these and the stretched 777-300X which could take another 25 per cent passengers. The latter is still on the drawing boards.

These 777s would also conform to the government's perceived need to show off the latest and the best abroad. However, since they will not be ready for delivery for several years, Saudia could buy a handful of 767s and or the Boeing 747-400. That would leave the 110-seat McDonnell Douglas MD-90 to replace most of Saudia's 737 fleet for domestic and regional services.

Although, according to industry experts there is a "significant difference" between catalogue and end-price, the 777-200s with engines and spares would cost $150m-$160m each, totalling some $3bn. The cost of six 747-400s would come to some $900m.

The catalogue price for each MD-90 is $32m. Engines would add another 30 per cent, and spares another 15 per cent. This would total some $1.4bn for 30 aircraft, a price which would rise depending on delivery dates and financing costs.

But the specifics of the pricing, or indeed the types of aircraft to be ordered, are less important for the future of the kingdom's economy and its civil aviation industry, than the prospect of wholesale privatisation of what up to now has been an indifferent state monopoly.

Saudis turn to Islamic banks

By Robin Allen in Dubai

Islamic banks are expected to play a prominent role in financing Saudia's purchase of $6bn of new aircraft over the next 10 years.

Islamic banks - and Islamic banking divisions of western banks which have greater placing power - "now have enough experience and assets to easily absorb a deal this size", according to one Saudi joint-venture banker. Islamic banks have already raised Islamic funds for aircraft leasing.

Using Islamic banks would be "politically correct" as well as practical. It would also be an innovation for Saudi Arabia, which, despite a hypersensitive insistence on the pre-eminence of its Islamic identity, has so far shied away from allowing domestic Islamic banks to advertise the fact, because it would draw attention to the fact that the bulk of the banking system is based on interest.

Bringing in Islamic as well as domestic and international commercial banks would also be consistent with the degree of flexibility the Saudi government needs if it is serious in its long-term plans to make Saudia commercially viable before it is privatised.

After President Bill Clinton announced last year that the two US companies had won the order, it was widely assumed by bankers and aircraft industry experts that Saudia would confirm the full $6bn order; and that the US's Export-Import Bank (Eximbank) would finance 85 per cent of the total in export credits, with additional financing to be arranged by Chase Manhattan and Saudi Arabia's National Commercial Bank.

Few saw the difficulty posed for the Saudi finance ministry when faced with Eximbank's insistence on the blanket guarantee for the full $6bn; even though, as a branch of the defence and aviation ministry, Saudia is entirely state-owned.

A new "serial" approach to Saudia's aircraft orders and financing would release the finance ministry from guaranteeing all but a portion of the $6bn at any one time. "Eximbank would come in, but later and for a smaller amount," bankers said

"The finance ministry chokes on the idea of giving a large blanket guarantee," one Saudi banker commented. "A step-by-step approach could unlock some of the barriers, and would fit in better with the progress the government is making to increase revenues, settle payments arrears, cut subsidies, and cover the budget deficit."

There has also been considerable official anger at the overbearing "take-it-or-leave-it" attitude displayed by Eximbank and US government officials. "The Saudis had some very nasty discussions with Eximbank," one banker said.

"The talks took a very bad turn. It seems Eximbank's message was: 'At the end of the day we are the lenders of last resort, and if you don't like our terms you can find other ways'. And that is what the Saudis have been doing for the last year. Hearing nothing, the banks started thinking the deal would not go through and many had struck it from their agendas."

The government's search "for other ways" will have been boosted by its prompt repayment on May 24 of the last part of its $4.5bn 1991 international loan. This has enhanced its reputation for financial dependability. The government will also have been encouraged by last week's successful syndication of a $700m loan, under a Saudi-US joint petrochemical venture. Bankers have described this loan as "an international vote of confidence" in the Saudi economy.

One fundamental question however remains: the extent to which the Saudi leadership is prepared to allow the private sector to own part of its national airline. Hitherto it has been regarded as a strategic asset second in importance only to the national oil industry. In Saudi Arabia, politics and high finance are inextricably linked.

Levels of aid for poor nations fall to 20-year low

By Krishna Guha

Overseas development aid from the world's richest countries fell by $5bn in 1993, the first significant fall in more than a decade, and now represents a smaller proportion of wealthy nations' GNP than at any time in the last 20 years, according to an independent report published today.

Even as the volume of aid falls, it is increasingly influenced by commercial and political concerns rather than the need for poverty relief, said the report, jointly published by the International Council of Voluntary Agencies, Eurostep and UK-based Actionaid. Agricultural protectionism, strategic concerns and desire to promote arms exports often contradict the stated goals of aid programmes.

The report, Reality of Aid, illustrates the gulf between promises made at the Copenhagen social summit earlier this year and actual aid flows.

In spite of longstanding commitments to the UN aid target of 0.7 per cent of GNP, the percentage fell in 14 of the 21 countries of the OECD's Development Assistance Committee, bringing the average down to 0.30 per cent from 0.33 per cent in 1992.

"Governments are in danger of giving up in the fight against absolute poverty," says Mr Tony German, co-author of the report.

The agencies warn that this trend is likely to continue, particularly in view of efforts in the US Congress to cut aid by $2bn. Mr Nigel Twose, director of Actionaid, said: "There is real danger of the US aid effect spreading." Canadian aid, for instance, will decline by 15 per cent in 1995/6.

The agencies acknowledge that private investment flows to the developing world rose substantially in 1993, offsetting cuts in official aid and increasing the total flow of resources from the developed world.

However, they argue that private investment, which is channelled to countries with immediate potential for growth, is not an adequate substitute for aid. While India, China and Indonesia received a large proportion of global private investment in the five-years to 1993, sub-Saharan Africa, the world's poorest region, received only 1 per cent.

The report points out that aid itself is increasingly attuned to countries which offer promising opportunities for trade or, like those in Eastern Europe or North Africa, present security concerns. "Sub-Saharan Africa is in real danger of being marginalised," says Mr German.

NEWS: UK

Pact on EU currency destroyed by premier's failure to tame right wing

Top ministers push for Emu referendum

By Robert Peston, Political Editor

Senior cabinet members are pushing for a government commitment to hold a referendum on sterling's membership of a single European currency as the best way to end the dispute about European Union policy which is tearing the government apart.

The prime minister, Mr John Major, is yet to make up his mind on a referendum. However, he has made clear to colleagues that he is now less likely to move his EU policy in a more anti-European direction after the mauling he received on Tuesday at a meeting of Eurosceptic MPs from his Conservative party.

"You don't behave like that to a prime minister", said a senior minister. "He could not possible trim his approach to Europe now. It would make his position untenable".

The angry criticism which Mr Major faced in the meeting undermines a pact reached last Thursday by a meeting of the political cabinet – a full cabinet meeting to discuss party affairs – that pro-European and Eurosceptic ministers would tell their supporters on the Conservative backbenchers to cease hostilities. "There was full and explicit support from both wings of the cabinet on the need to call a truce", said a minister. Now that had been thrown away.

Both the home secretary, Mr Michael Howard, and the foreign secretary, Mr Douglas Hurd, have come round to the view that a commitment to hold a referendum is the only way to draw the fire of fanatics in both camps of the European argument. They face opposition from Mr Kenneth Clarke, chancellor of the exchequer.

The UK will not be forced to decide whether to accept a single European currency during this government – with an election probably two years away. But ministers believe that by the beginning of 1997 there will be clear indications of which countries will merge their currencies and of the nature of preparations for monetary union.

At that stage, there will be intense pressure on the British government to indicate where it stands on joining. Senior ministers believe that only a commitment to hold a referendum on the issue will prevent the Tory party from splitting down the middle.

Eurosceptics want the UK to push for repatriation of EU powers back to national governments, leaving the EU in effect as only a free-trade area.

An autumn challenge to Mr John Major's leadership of the Conservative party appeared virtually certain yesterday as MPs digested the implications of his bruising clash with Eurosceptic rightwingers on Tuesday. "There is now absolutely no chance that he can survive, because he has shown himself unable to give a lead and he has lost his authority," said a senior rightwinger previously loyal to Mr Major. There was widespread agreement that Mr Major's position was fatally undermined at the meeting by his inability to exercise authority. Several pro-European MPs look willing to back a leadership contest. One leftwinger, formerly a Major loyalist, said he would give his vote to any challenger who received the required number of nominations. "I'm fed up of waking every morning and hearing a steady drip-drip of bad news," he said. "The prime minister has just lost all sense of crisis management. The main thing now is to get someone who can avoid a Canadian-style wipe-out."

ILO delays action against union ban

By Robert Taylor, Employment Editor

The International Labour Organisation pulled back yesterday from censuring the British government for outlawing trade unionism at its GCHQ communications and intelligence-service station 11 years ago.

The Geneva-based body said the government should be given a "final opportunity" to resolve the issue. It proposes to create an advisory mission to examine what should be done.

Mr Michael Portillo, the UK employment secretary, welcomed the ILO's decision, but said the government "remains convinced that the ban on national union membership at GCHQ is essential in order to safeguard national security". Mr Portillo also accused the British Trades Union Congress of running a "politically inspired campaign designed to manipulate the ILO for partisan purposes".

In a prolonged and bitter debate yesterday trade union representatives at the ILO conference demanded that the British government should be punished with a "special paragraph" in the ILO's report for banning unions at GCHQ. This is the ultimate sanction that can be used against a country for violating labour standards. In recent years Myanmar, the Sudan, Panama and Ecuador have received special paragraphs for abuse of workers' rights.

But a number of governments, notably France and Germany, said they were unwilling to support a "special paragraph" for the British government because its behaviour over GCHQ was not a serious breach of labour standards. The UK's strongest ally was the Indian government, which received a special paragraph last year for tolerating bonded labour. It supported the British government's ban on trade unionism at GCHQ.

The initiative for an ILO mediation mission came from the Dutch government, supported by South Africa and the United States.

Flat earnings growth applauded in City

By Gillian Tett, Economics Staff

Average earnings growth remained flat last month, official figures showed yesterday. The data was greeted with joy in the City, where many economists had expected it to rise. Indeed, with earnings growth remaining very low by historical standards, economists said the data should give a powerful boost to the government's attempts to keep inflation low.

Mr David Coleman, UK economist at Canadian Bank of Imperial Commerce, said the figures were "very encouraging for the inflation outlook, with earnings growth stubbornly refusing to pick up".

However, he added that the main reason for this was not hard to find. "Despite the strong recovery last year, insecurity in the job market has remained rife," he said. "Hardly any day passes without some announcement of job rationalisation." The Department of Employment yesterday said that average earnings grew at an underlying annual rate of 3.5 per cent in April. This was the same rate as in February and March, but below the level seen in the second half of last year.

The lowest level of earnings growth occurred in the service sector, where wages increased at an annual rate of 2.75 per cent – slightly higher than the previous month. Earnings growth in manufacturing was unchanged at 5 per cent, while in the production industries it fell back slightly from 5.25 per cent to 5 per cent.

● Unemployment fell in May at the slowest rate for 17 months, official figures showed yesterday. The rate at which people have been leaving the unemployment register each month has been slowing continuously since the start of the year.

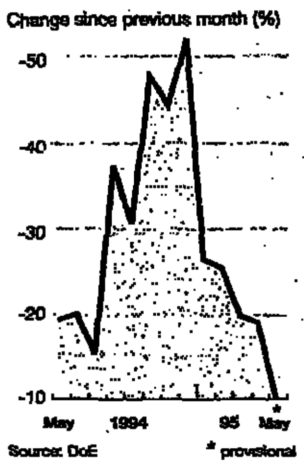
The figures, which come amid signs that job growth has also fallen, provide fresh indications that the British economic recovery may be easing. The Department of Employment said that the number of people claiming unemployment benefit fell by a seasonally adjusted 10,000 between April and May, leaving the unemployment rate at 8.3 per cent.

Although this decline takes unemployment down to levels last seen in June 1991 – with a drop of 350,000 on the year – it was the smallest monthly decline since January 1994.

● The Trades Union Congress is becoming increasingly concerned that the economic recovery is slowing down, our Employment Editor writes. Mr John Monks, congress general secretary, said yesterday that the latest employment figures were "dismal".

Unemployment

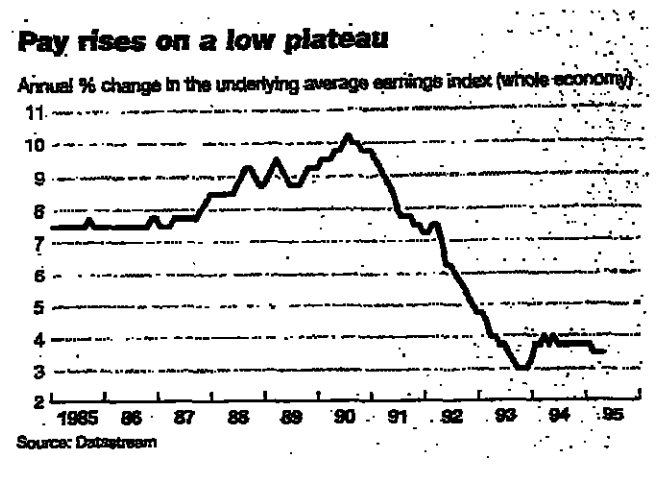
Change since previous month (%)



Source: DoE * provisional

Pay rises on a low plateau

Annual % change in the underlying average earnings index (whole economy)



Source: Datastream

Ethnic minorities protest at change in business aid

By Simon Kuper in London

Ethnic minority organisations have suffered a drop in government funding since the Single Regeneration Budget was introduced last year, a report from the Black Training and Enterprise Group, a voluntary organisation, says today. The SRB includes 20 previously separate funding programmes worth a total of £1.4bn ($2.2bn).

The report focuses on bids for SRB funding in in the Merseyside and the west Midlands areas of England. It says none of the seven "black-led" bids in the west Midlands won funding, while only one Merseyside bid mentioned any ethnic groups as main partners.

The report said ethnic minority organisations had had trouble attracting SRB funds because they tend to lack the funds and time to assemble the complex bids the process requires.

Mr Santino Deng, co-ordinator of the Midland Refugee Council, said his council lacked the expertise to complete the compulsory business plan. It also found difficulty in submitting 10 copies of the bid of 30 pages each, as required.

The report says the municipal authorities and employer-led Training and Enterprise Councils, which lead most SRB bids in England and Wales, often avoid ethnic organisations as partners in the belief that they are unprofessional. Bid leaders either fail to consult them or consult them too late.

Mr Javed Bashir, vice-chairman of the Keighley Asian Consortium in northern England, said: "There's never been a translation of SRB leaflets into any of the minority languages. Many of the organisations are very much in the dark about what kind of process the SRB is." He said many found out too late to submit bids.

Farmers' co-operative wins 8% milk price rise

By James Harding in London

Milk Marque, the co-operative for farmers, yesterday said it had secured dairy producers an 8 per cent increase in the price paid for their milk in its first year of trading.

Dairy food processors, which have announced several thousand redundancies since the milk market was deregulated last year, have blamed Milk Marque's high prices for the turmoil in the industry.

For the first five months after it took over from the Milk Marketing Board, the former statutory monopoly, last November, Milk Marque reported pre-tax profits of £25.1m ($39.4m) on sales of £780.2m. The co-operative will pay £20.4m – or 0.7p per litre – as an end-of-year bonus to contributing dairy producers. Although this resembles a dividend, no tax is paid on it because it amounts to a further payment for supply.

Added to the 24.75p already paid per standard litre, farmers have earned on average 25.45p per litre, which Milk Marque says is generally 2p per litre more than under the board last year. Mr Chris Melchers, Milk Marque's finance director, said the 0.7p profit distribution was possible thanks to tighter control of operating costs, down to 0.3p per litre compared with an estimated 0.7p per litre when milk sales were managed by the board.

Mr Andrew Dare, Milk Marque's chief executive, defended the increases in milk prices as "a one-off correction" because prices had been suppressed under the Milk Marketing Board. Under their scheme the Dairy Trade Federation had been a monopoly buyer, keeping prices for milk in the bottom quarter of the European "league table".

Last year's price increase brought prices paid for UK milk into the top half of the table. In this year's bidding round, which starts when Milk Marque posts its benchmark prices next month, Mr Dare said he was "telling farmers to expect prices to stabilise".

Milk Marque's exports to Belgium and France were evidence, he said, that its prices were "internationally competitive".

"For the first time in 60 years, farmers have been able to work together in their own organisation to establish a fair market price for milk," he said.

Earlier this week Unigate and Northern Foods reported sharp falls in annual profits as a result of provisions for combined redundancies of some 4,000 dairy employees. They have argued that Milk Marque has abused its near-monopoly position, buying two-thirds of all raw milk in England and Wales to ratchet up prices by 11 per cent. The price rises have eroded margins, particularly on doorstep sales, already strained by a fall of almost 50 per cent in demand over the past decade.

The Dairy Industry Federation, the buyers' representative and successor to the Dairy Trade Federation, has asked the Office of Fair Trading to investigate the market with a view to a referral to the Monopolies and Mergers Commission.

UK NEWS DIGEST

Banks agree to heed warning on size of bonuses

The City of London's leading investment banks promised to heed warnings by the Bank of England, the UK central bank, that the bonuses they pay to traders and other executives are too high. Mr John Manser, chairman of the London Investment Banking Association, said the central bank was right to remind the boards of companies and senior management about pay. "Remuneration excessively dependent on short-term returns may create a bias towards risk which is undesirable."

Mr Manser, who is also managing director of Robert Fleming, said investment banks were addressing concerns about incentives by ensuring a component of pay which was linked to the long-term performance of the company. He was responding to indications of growing Bank of England concern about the perverse effects of some bonus systems. Mr Andrew Jennings, a bank official, said earlier this week the bank would prefer to see remuneration take account of the stability of profits, as well as their level.

Nicholas Denton and Gillian Tett

Chocolate bends for engineers

Chemical engineers at Cambridge University have invented a form of "flexible chocolate" that can be bent, twisted and tied into knots. Nestlé of Switzerland, the world's largest chocolate company, is interested in the commercial aspect of the process. Mr Malcolm Mackley and colleagues made their discovery using high-pressure injection equipment for plastics. They put solid chocolate chips into a barrel and forced the material through a nozzle at pressure described as being equivalent to having "a full-grown elephant standing on your foot". The chocolate emerges as a flexible string which gradually hardens over an hour of so. Confectioners could use the technology to make intricate chocolate shapes impossible with the conventional process of moulding melted chocolate.

Clive Cookson, Science Editor

Rail bid from France

Managers at South West Trains, one of the first three state-owned train operating companies to be offered for sale, have teamed up with a large French transport group to stage a buy-out of their business. The management team has agreed a joint venture with CGEA, a company which runs rail services over 1,000km of track in France as well as operating 5,000 buses. It employs 12,000 staff. This is the first time that a management buy-out team has joined forces with a commercial company to make a bid for one of the British railway franchises. The buy-out bid, which is due to be submitted by May 28, will include an offer to all employees to become partners in the business. SW Trains, which operates in south-west England, is the largest of the three franchises on offer in the first wave of privatisation.

Charles Batchelor, Transport Correspondent

TV revenues estimated

Commercial television in the UK, in all its forms, is worth more than £3bn ($4.7bn) a year, says the Independent Television Commission which has combined the figures for the first time in its annual report. The ITV network, the direct commercial opponent of the BBC, had revenues of £2.1bn and was the largest operator. On an individual company basis, however, British Sky Broadcasting, the satellite venture in which Pearson, owner of the Financial Times, has a significant stake, had the highest income. The biggest stake in BSkyB is held by Mr Rupert Murdoch's News Corporation. Total advertising revenue for commercial television was £2.087bn last year, 10.9 per cent up on 1993.

Raymond Snoddy, Consumer Industries Staff

Winner loses: The home of a winner of the top prize in the National Lottery was burgled while he was in hiding at a secret address to escape publicity about his £11m ($17m) prize. Police in the town of St Leonards in south-east England said an "untidy search" had been made of the flat belonging to Mr Mark Gardiner and a video recorder had been stolen.

Drugs crackdown: 12 people were arrested in simultaneous raids by 160 police in several towns in north-west England in an operation against an alleged international drugs and fraud empire. Drugs and equipment used in the manufacture of Ecstasy were found.

Gerry Adams says British are making unacceptable demand for 'surrender' of weapons by IRA

PM to meet Clinton on Ireland deadlock

By John Kampfner at Westminster and John Murray Brown in Dublin

Mr John Major, the British prime minister, is expected to have a brief informal meeting about the Irish peace process with President Bill Clinton tomorrow. Mr Major will respond to US concerns about the apparent impasse in talks with the nationalist Sinn Féin party, the political wing of the IRA.

The discussion, which will take place during the Group of Seven summit in Halifax, Nova Scotia, will be the first since talks in Washington in April when the president and the prime minister went some way towards healing a rift over Northern Ireland policy.

Both sides acknowledged that Mr Clinton, in a speech at an Irish investment conference last month, moved closer to the British line that the IRA must begin "decommissioning" its weapons before full talks with Sinn Féin could begin.

That conference was dominated by a meeting and handshake between Sir Patrick Mayhew, chief Northern Ireland minister in the British government, and Mr Gerry Adams, Sinn Féin president.

Since then, however, little progress has been made, with the UK government making clear it is for Sinn Féin to move on the arms issue. Mr Adams emphasised in a long article in yesterday's issue of the Dublin-based Irish Times that he had no intention of doing so, and blamed the British for the deadlock.

Mr Adams said the British government was seeking a "gesture which would symbolise an IRA surrender". He added: "Sinn Féin cannot deliver an IRA surrender; that is the reality." Surrender, or decommissioning, was never mentioned by the British during secret talks with Sinn Féin before the IRA ceasefire last August, he added.

"Had a surrender of IRA weapons been imposed as a precondition to peace negotiations, it is possible that there would have been no IRA cessation." Mr Adams' remarks were seen as his clearest riposte to British demands for movement on the arms issue.

US officials have attempted in a series of low-profile visits to Northern Ireland to persuade Sinn Féin to break ground over decommissioning. Mr Clinton has indicated that he wants to visit Ireland, north and south, in the coming months. But his officials have been unable to agree dates with the British and the trip is now unlikely to take place before November.

Both sides denied that the problem was anything more than a question of scheduling. "There is absolutely no political flavour about this," said a US official. Mr Clinton, he said, intended to visit Dublin, London and probably Belfast. "We have smoothed over the scar tissues," said a US official. "There is certainly concern at the pace of events, it seems that some aspects have reached an impasse, but this is not directed at the British."

Mr Gerry Adams alleged in The Irish Times:

"● There are approximately 16,000 members of the British army still involved in military operations.

● There are massive military encampments throughout the six-county statelet [Northern Ireland] . . .

● There are 13,000 heavily armed members of the RUC [the Northern Ireland police], a para-military force which has acted as the armed wing of unionism and which is totally unacceptable to the nationalist community . . .

● There are an approximate 120,000 licensed weapons, most of them in the hands of the unionist [pro-British] community . . .

● The British government has made no move to deal with the reality that there are hundreds of political prisoners held in British jails."

Buyer of shipyard sells offshoot to Dutch group

By Chris Tighe in Newcastle upon Tyne and Ronald van de Krol in Amsterdam

The company which on Monday bought the main Swan Hunter shipyard in north-east England has sold its own nearby fabrication facility to a Dutch company.

THC Holdings (UK), which bought Swan Hunter's yard a week before the entire contents were to be auctioned, has sold its main subsidiary, THC Fabrication, to Heerema Fabrication Group. THC Holdings is based in Jersey, largest of the Channel Islands between England and France.

Mr Glen Wilson, THC's commercial manager, said it was pure coincidence that the yard purchase and the sale of THC's facility had occurred on successive days, but he conceded the timing was "bloody lousy". Negotiations with Heerema started almost a year ago, he said. "We had decided not to sell but they came back to us again."

Mr Wilson declined to disclose the sale price. Heerema Fabrication Group, based in Zwijndrecht near Rotterdam, said the company had paid "several tens of millions" of guilders. Mr Wilson, a key figure in THC's negotiations to acquire the Swan Hunter yard, said the sale of its own facility did not affect THC's plans for the yard. The deal would allow THC to concentrate on revitalising the shipyard to cater for the expanding new market for floating oil production platforms. Heerema and THC are discussing possible future co-operation to develop Swan Hunter for the construction of floating production storage and offloading vessels. Mr Wilson said: "Rather than jeopardise the capability of the project, it will be further enhanced by Heerema's strength as a major contractor in our industry."

THC already has Dutch links – its managing director is a Dutchman, Mr Jan Veldhuizen, and its majority shareholder, whom Mr Wilson declined to name, is also Dutch.

Heerema Fabrication is part of Heerema Offshore Construction Group, a privately owned Dutch company. The main Heerema group, which is based in Leiden, is active in offshore construction and heavy-lifting shipping. It has a worldwide workforce of more than 4,000. THC's Hartlepool facility will complement existing Heerema yards in Norway and the Netherlands.

Stepping forward

John Griffiths and **Paul Cheeseright** on a possible breakthough in two-stroke engine design

Bernard Hooper is looking for the end of the commercial rainbow at Halfpenny Green airfield. In dishevelled second world war buildings in the countryside west of Birmingham, where the sound of light aircraft mixes with the noise his engines make, he is working through the problems of creating a new diesel engine for the small cars of the next century.

Around the world there are many small – and even not so small – engineering concerns and inventors exploring alternative combustion technologies and engine concepts. Almost without exception they have found the task of producing engines with a genuine competitive advantage over conventional petrol and diesel units both long and frustrating. No important car maker so far has seen fit to use one.

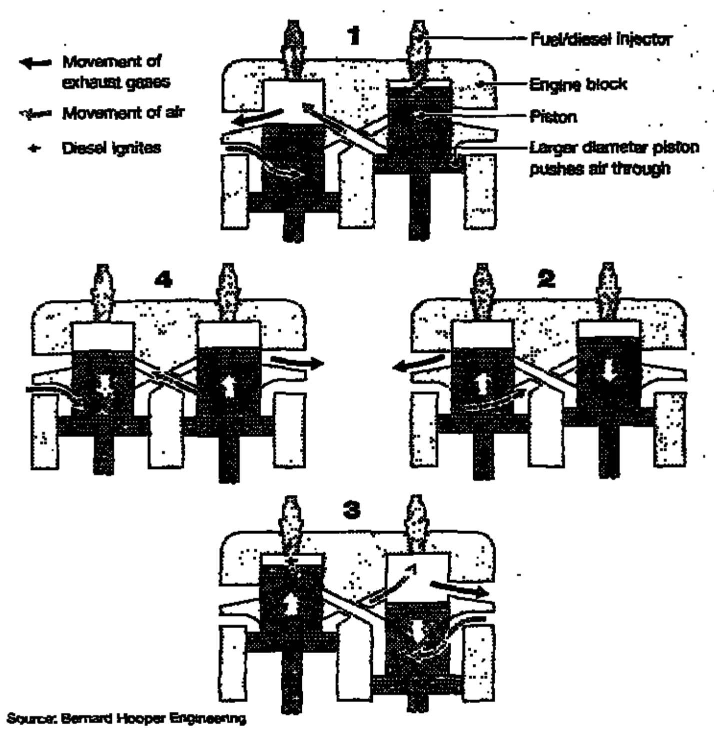
Despite this, Hooper and his backers believe their time may have come, on the grounds that even the current crop of small, high-revving four-stroke diesels fitted to cars such as the Ford Fiesta and Citroen AX will prove too big and heavy for forthcoming generations of ultra-lightweight small cars.

Size for size, current four-stroke diesels are inevitably heavier than their petrol counterparts because the block and cylinder head have to withstand combustion chamber compression ratios almost double those of a petrol engine. Add valves, camshaft and the camshaft drive components needed on any four-stroke engine, and fitting such a unit under the bonnet of the ultra-small cars of the future will undoubtedly prove tricky.

In addition, diesels are facing trouble meeting tighter exhaust emission standards planned for later this decade, and will almost certainly require an exhaust catalyst to do so.

Hooper, his son Peter and a small team of technicians maintain that all these problems can be overcome by the engine they are developing. It is a two-stroke with a stepped piston design which, in the ideal world that has so far failed to materialise for so many engine innovators, they would like to see in mass production within 10 years.

Blueprint for a new diesel engine



Source: Bernard Hooper Engineering

The stepped piston engine is of simple design with a small number of individual components. It has two diameters, the smaller being effectively a normal piston as used in a conventional ported two-stroke engine. The larger diameter section, at the bottom of the piston, acts as the compression piston. The intake charge is drawn into the annular space controlled by reed valves. These valves close automatically when the piston reaches bottom dead centre and is on the point of rising again. The intake is discharged through transfer ports into the combustion chamber of the other cylinder, scavenging exhaust gases in the process. This continues until the exhaust ports are closed by the rising piston and compression begins.

The technical crux is to achieve compact, low-exhaust emissions, low fuel consumption but high durability and no diminution of performance.

There are several counts on which the Hooper engine might prove interesting to car makers. One is the very fact that it is a two-stroke. This dispenses with valve gear and its weight and size penalties, as well as making the engine easier and cheaper to make. Providing twice as many firing strokes as a four-cylinder, the engine should also give smoother and relatively powerful performance.

But vehicle makers from Toyota to Volkswagen have already built prototype two-strokes in petrol and diesel form. It is the Hoopers' extra ingredient, the stepped piston design, which is claimed to get round the big, age-old problem with the two-stroke that is partly responsible for unacceptably high emissions of oxides on nitrogen.

"The Achilles Heel of the two stroke engine is that all fuels go through the crankcase," says Hooper. "They are transferred to the cylinder. You cannot separate the lubrication from the combustion, so the oil ends up in exhaust. If you cut the oil down, the engine fails. The stepped piston engine separates the lubrication from the breathing, the combustion. So you can use lubrication without causing emission problems."

Hooper, formerly chief designer of Villiers Engineering, has been working on stepped piston engines for nearly 30 years. The idea itself dates back to the first world war but, like many other alternative engine concepts, it went undeveloped for decades. Hooper, who holds a clutch of patents, licensed the technology to Norton Villiers, the motorcycle group, during the 1970s. Lately, he has worked on government contracts.

The stepped piston work is backed by the Dunlops, a Scottish family with whisky interests. Since 1982, the Dunlops have held the licensing rights for the new engine. Nicholas Dunlop is now working full time for Stepped Piston Engines, which aims to see the engine brought into production. Dunlop's aim is to bring the engine into the automotive mainstream.

Dunlop talks of a co-operative arrangement with Bosch of Germany on injection systems, of talks with Lucas, the UK group with its own diesel injection system, of discussions with the piston products group of T & N, another UK group, and of some form of intellectual property sharing with AVL, the Austrian consultancy. Engine technology is a field where the industry likes to keep its lines of communications open.

But the experiences of other aspiring engine "breakthrough" concerns, such as Australia's Orbital Engine Company and Sonex of the US, underline the challenge facing Hooper. The Orbital two-stroke engine concept has been licensed to a number of car makers for several years, and as recently as three years ago Ford was indicating that there would be Orbital-engined Fiestas on the road by the mid-1990s. Emissions-related problems have pushed their possible introduction to near the end of the decade.

Orbital is already a large, respected company with its engines – in other applications such as marine – in current production. Yet it, too, has found that when it comes to cars and the complex legislation that surrounds them, it is a very long road indeed between concept and commercial production.

Health warning for UK's medical research

The UK National Health Service has long been the envy of the world's medical scientists for its excellence as a research platform. That excellence is threatened by the government's market-oriented NHS reforms, the science committee of the House of Lords, Britain's second chamber, says in a report today.

"The market . . . is already doing serious damage to academic medicine and particularly to curiosity-driven research," the report says.

The Lords deplore the wall of accounting that now divides healthcare from research. "We predict that the cost of separating the scientist from the clinician will be high, both in transaction costs and in the creative interactions which will not take place at all because people cannot tolerate the artificiality of costing and accounting for them."

But the report takes a more optimistic view of the future, because the government is beginning to implement an R&D strategy for the NHS, which compensates for the damage being done to long-term research by the short-term demands of the market.

The Lords say prospects for applied and clinical research in the NHS will be bright if the government implements the recommendations of last year's Culyer Report, as it has promised. This would ensure that the eight regional R&D directors have enough money – about £500m or 1.5 per cent of the total NHS budget – to support research projects.

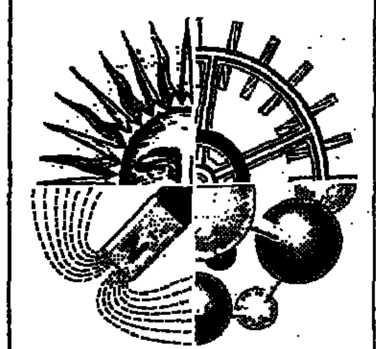
But the Lords are concerned that curiosity-driven biomedical research in university hospitals could lose out as a result of the government's growing emphasis on applied research and development and "wealth creation".

Lord Butterfield summed up the committee's views: "We commend the government for putting in place the NHS R&D strategy but we are anxious about the operation of that process lower down the management line." More junior managers were still liable to regard research as a costly burden on scarce resources.

Clive Cookson

Medical Research and the NHS Reforms. HMSO, £18.

Worth Watching · Vanessa Houlder



Moving the earth from the skies

The large, powerful equipment used to move earth is difficult to manoeuvre accurately. But a US-based consortium is combining computers, lasers and global positioning system satellites to develop highly precise controls.

Leica, the Swiss optical company, Caterpillar, the US earth moving equipment company, and Spectra-Physics Laserplane, a controls company, are developing computer-aided earth moving equipment. The two-year project is also being funded by the Nasa Ames Research Center in California.

The equipment will use digital terrain maps in conjunction with precise information about the position and orientation of the earth moving blade, which will be supplied by GPS satellites and ground-based laser beams.

Leica: US, tel 310 7915300; fax 310 7916108

Culturing mammalian cells

Scientists in Switzerland have developed a technique for culturing mammalian cells which could make it easier to manufacture certain protein pharmaceuticals, such as monoclonal antibodies.

The Swiss Federal Institute of Technology in Zurich used genetic engineering to modify mammalian cells so they can grow without added protein or animal serum. The technique is being commercialised by Cytos Biotechnology of Zurich.

Cytos: Switzerland, tel 1 633 3170; fax 1 633 1051

Portable surface penetrating radar

Surface penetrating radar equipment has been used to detect buried objects in applications ranging from murder investigations to finding plastic mines.

Advances in computing power have allowed Era Technology, a contract research organisation based in Surrey, to launch a compact version that can be handled by a single operator.

Applications of the Superscan equipment, which costs from £29,500, include surveying, pipe laying and archaeology.

The advantage of using radar over other techniques, such as ultrasound imaging, is that the equipment does not have to be in physical contact with the material being tested, which allows it to be scanned quickly.

Era Technology: UK, tel (0)1372 367000; fax (0)1372 367099

Telephone direct in the air

Jetphone, Europe's first direct air-to-ground telephone service, is being launched this month by BT and France Telecom.

The telephones have been installed on aircraft of British Airways, Air France, Air Inter and SAS.

The system uses digital radio links from the aircraft to ground stations, from which calls are routed via national telephone networks. The cellular technology is cheaper and simpler than the satellite-based equipment used on long haul aircraft.

Jetphone: France, tel 42217749; fax 42217300

Fluorescence labelling spectrum

A cyanine-based dye has been developed that completes the spectrum of colours available for fluorescence labelling – a method of identifying molecules in biomedical research.

The availability of the dye, which is being produced by Amersham International, will allow researchers to investigate several aspects of cells simultaneously by staining individual molecules using separate dyes.

The cyanine dyes have the advantage of operating in the red part of the spectrum, which avoids confusion with the natural fluorescence of cells which occurs in the blue and green part of the spectrum.

Amersham International: UK, tel (0)1494 542053; fax (0)1494 542058

ARTS

Cinema/**Nigel Andrews**

More well-dressed historical bio-tosh

Jefferson In Paris is a title with a horrible fascination. It is trying not to be "Young Jefferson" – or in this case "Middle-aged Jefferson" – while promising us much the same bill of kitschy biographical goods. See the Famous Historical Person at work at play! Watch him fall in love! Hear him fashion his quotable quotes! Transplant him to exotic climes where he can interact with foreign manners and fabulous backcloths!

Ever since Zeffirelli's lavishly upholstered *Young Toscanini* (1988) sank without trace, taking with it Elizabeth Taylor and the entire Rome Opera company, film-makers have been wary in handling potential bio-tosh. But is wariness the answer? In treading as carefully as director James Ivory does here, flanked as ever by producer Ismail Merchant and screenwriter Ruth Prawer Jhabvala, he still provides tosh – it is merely well-mannered tosh.

Ivory's Thomas Jefferson (Nick Nolte) is a mature man with a deceased wife and grown children. He has already written the American Constitution. And judging by Nolte's craggy, impassive performance – eyes gazing into the distance, features marmoreally creased – he has just finished sitting for his Mount Rushmore carving.

Unfailingly majestic to the eye, the film is hopelessly sedative to the mind. Like many historical films it tries to lob life in from the edges, aware that the centre may be seriously stiff with myth. So for 2¼ hours we have bits of eating, ballooning, theatregoing, and court manners. We meet Dr Mesmer, a Rasputin to the court of Louis Seize. We have dinner with Dr Guillotin and meet his contribution to human cuisinart (he demonstrates for us with a scale model and an asparagus). And we have the first stirrings of *les événements de '89*: king to messenger, "Is it a revolt?"; messenger to king, "No, it's a revolution."

These surrounding bits of colour only emphasise the monochrome people in the middle. Jefferson's private life wanders wanly between plots: from his daughter's consignment to a Catholic convent to his romance with painter Greta Scacchi. Since Scacchi offers only an ironic simper for a characterisation, we are not surprised when she in turn is sidelined for a pretty black slave girl (Thandie Newton) who will go on to bear – the years-later framing story tells us – small, coffee-coloured Jeffersons.

Almost none of this makes any impact on us at all. We have to ask: would Ivory have made this movie if it were not about a Famous Historical Person? Since the giant irony inherent in the contradiction between Jefferson's championing of democracy and his slave-owning concupiscence, while noticed, hardly seems to detain our film-maker, we suspect the only reason we are watching "Jefferson in Paris", rather than Smith or Pooter or A.N. Other, is historical groupy-ism. Like many bio-pics – certainly like all bad ones – this film ends up as little more than two hours of costumed autograph-hunting.

★

There are no stars or celebrities in *Rice People*, a French-Cambodian rural drama set in a rice-starved village. First-time director Rithy Panh may have failed to secure Greta Scacchi for the lead role of a peasant mother driven mad by being her family's sole worker-breadwinner (husband has died from a poisoned thorn; crabs and snakes terrorise the paddies); but he has a powerful story, a grimly lucent performance by Peng Phan – first hitting the bottle and then being caged for her safety by fellow villagers – and an immunity to facile agitprop.

Since the Cambodian-born film-maker's own family suffered under Pol Pot, *Rice People* could have been a thinly muffled broadside against the Khmer Rouge. Instead the red menace is confined to a couple of dream sequences, commenting from the unconscious on the other real/surreal images that frighten the film into poetry. A spectral owl; a cobra. With its other scenes infused by a slow, unblinking, elemental naturalism, *Rice People* tells its story with an honesty at once deadly and hauntingly oneiric.

★

Elsewhere Hollywood is in full cry, readying itself for the summer silly season. In *Bad Boys* two young black cops run around Miami playing Mutt and Jeff while the city disappears into flames and car chases. Played by two American television stars, Will Smith and Martin Lawrence, our heroes must protect a beautiful murder witness (Tea Leoni) from dangerous hoodlums. Meanwhile ex-commercials director Michael Bay shuffles his coloured filters, and an escaped music system with runaway volume control seems to be roaming the auditorium.

The film is so formulaic that we can only suppose it was dreamed up over a power breakfast; even a power elevenses. Inventiveness creeps in only in the subplot which has the two men swapping identities, so that the girl thinks the married one is single and the single one is married. This may not sound hilarious, but it produces one or two comic complications and in *Bad Boys* we are grateful for anything.

In *Silent Fall* psychiatrist Richard Dreyfuss is asked to mine the mind of an autistic murder witness. Nine-year-old Tim saw his parents hacked to death in their bedroom. "Give me a murderer, Jake," the Sheriff asks Dreyfuss, "or I'll have to use Harlinger's magic potion on the boy."

Harlinger? He is a drug-happy rival shrink, muggingly played by John Lithgow as if he has wandered in from another film. But then everyone behaves here as if they have wandered in from another film: pugnacious Dreyfuss from previous shrink duty on *What About Bob?*, scowling Linda Hamilton (as his wife) from Terminator employment, and director Bruce Beresford from a career that has see-sawed between the ridiculous (*King David*) and the modestly sublime (*Tender Mercies*, *Driving Miss Daisy*).

Here, as ineffectual suspense scenes jostle with advanced psychobabble, we could be in a bad TV movie. "Echolalia" is the jargon *pièce de résistance* provided by debut screenwriter Akiva Goldsman (son of two child psychiatrists) – a condition which in the boy takes the form, the film tells us, of imitating junk television. The condition is obviously infectious. *Silent Fall* falls somewhere between Perry Mason and a "problem of the week" drama.

Rafal Zielinski's *Fun*, from Canada, tries hard to break the murder movie mould. Two girls (Alicia Witt, Renee Humphrey) are arrested for the senseless, "fun" killing of an old lady. Alternating scenes are shot in documentaryish black-and-white (present) and colour (past) as we time-shift between the girl's arrest and interrogation and the events leading to the murder.

At worst the film plays like a sorority night *Natural Born Killers*: an all-girl sortie into exploded style and imploded morality. At best – whenever it slows down – it shows the grimmer, unfunnier side of that 'affectlessness' in the face of violence which Messrs Stone and Tarantino have found such an intoxicating giggle.

JEFFERSON IN PARIS
James Ivory

RICE PEOPLE
Rithy Panh

BAD BOYS
Michael Bay

SILENT FALL
Bruce Beresford

FUN
Rafal Zielinski

Majestic to the eye, but sedative to the mind: Nick Nolte and Thandie Newton in 'Jefferson in Paris'

Obituary

Arturo Benedetti Michelangeli

There was no greater perfectionist than the Italian pianist Arturo Benedetti Michelangeli, who has died in a Lugano hospital at the age of 75. He was one of the supreme pianists of our times, but his uncompromising approach to his art made him an introvert, a man who regarded public performance with extreme distaste. The rarer his performances, the more brouhaha they generated – of the kind Michelangeli hated. He became increasingly reclusive, and gave his last recital in 1992 in Zurich.

Perfectionism was the key to Michelangeli's greatness. He had the highest possible artistic goals, and he pursued them with the utmost skill and dedication. He was an interpretative fanatic, giving everything the importance and shape he thought it deserved. It was a very planned style of playing, but it was planned to the highest degree of musical and technical perfection.

Anyone lucky enough to have attended a Michelangeli recital or concerto performance is unlikely to forget it. First, there was the element of suspense surrounding any Michelangeli appearance, because he was a notorious canceller – calling off at the last moment or even interrupting a recital because of some perceived disturbance. Then there was his platform persona – wandering towards the piano as if still in two minds about cancelling, reluctant to acknowledge his audience, and bearing a permanent expression of weary melancholy.

But the music itself cast an entirely different spell. His playing was characterised by a beautifully polished sound, great clarity of execution, strict fidelity to the composer, and a high degree of awareness of harmonic subtleties. That is why he was so successful with Schumann, Debussy and Ravel; his *Gaspard de la nuit* was matchless. He was not the most memorable of Chopin interpreters, because he was not one for freedoms, excesses, vibratos, or any outburst of spontaneity – the very opposite of a Rubinstein. Michelangeli was an ascetic, and he played the way he was – with a seemingly unshakable aristocratic reserve.

Born in Brescia on June 5 1920, Michelangeli studied at the Milan Conservatoire and won the international piano competition at Geneva in 1939. His performance of Beethoven's Fifth Piano Concerto at La Scala, Milan shortly after the end of the war was judged a sensation, and it launched his international career. He made his London debut in 1946, and continued to perform there irregularly until 1990. His concerto performances were even rarer than his recitals, because he would only collaborate with a handful of conductors – among them Celibidache and Giulini.

He lived in southern Switzerland, and taught privately and at the conservatoire in Bolzano. He leaves a small legacy of recordings, chief among them the video of his 1982 London performance of the Ravel G major concerto – which he also recorded memorably for EMI in the early 1960s.

Andrew Clark

Dance/**Clement Crisp**

Featherstonehaughs 'Go Las Vegas'

It proved a glum evening at Sadler's Wells on Tuesday when Lea Anderson told the six men of her Featherstonehaughs troupe to "Go Las Vegas". The invocation of this hotspot is improbable. What we see is a tribute to Grimsby, with a nor'easterly blowing hard and not too much going on after the shops close on a January evening, so dreary and bleak the enterprise.

Whatever else it may not be – a centre of puritan values; an ashram – Las Vegas offers prodigious vitality and dazzling skill in the stage shows that are not quite drowned by the rattle of fruit-machines. Ancient Hollywood performers – everything in sight winched up by the surgeon's knife – go vivaciously through their former paces and apparently rediscover their youth. Here is the apotheosis of glitzy, stunning presentation, even dross made to seem the gold of the theatre. And what does Miss Anderson offer? Dull, repetitive routines (the word was never more apt) performed by a sextet of none-too-limber chaps whose dead-pan manner, like Miss Anderson's production, makes them seem lobotomised.

They boast check suits, novocained manners, and the abstracted air of men who have been interrupted in some vital activity – watching paint dry, perhaps – in order to caper on stage for 80 relentless minutes (and no interval). There is loud and unappealing accompaniment owed to Steve Blake and Drosten Madden, interspersed with recordings of Las Vegas performers making deeply humble remarks about the wonder of appearing before an audience of gamblers.

Miss Anderson's final *coup de théâtre* is the fact that the Wells' audience are issued with little torches which they are required to shine at the stage during the closing moments of the piece so that the men's silver suiting shall glow. Such theatrical wit has probably not been seen since the premiere of *Gammer Gurton's Needle*.

Concerts in London/**Adrian Jack**

Celebrating Perlman, American composers and rare Strauss

Itzhak Perlman is celebrating his 50th birthday by giving four concerts over eight days, offering a selection from his repertoire of violin concertos with the Philharmonia Orchestra. It is a fine opportunity for fans, but not an ideal setting for works of this sort which acquire a sense of occasion from being heard individually, as highlights.

Still, last Saturday, Beethoven's two short Romances for violin and orchestra made effective curtain raisers for his Violin Concerto. With Lawrence Foster conducting, the Romances were kept well on the move and held rather less rapture than ideal. In the Concerto, Perlman's tone was sweet, his style chaste but also just a bit too impersonal. I was not moved until attention was focused on his technical mastery in Kreisler's cadenza in the first movement, and Perlman brought off the busy fury of the less intellectual cadenza in the finale brilliantly.

On Tuesday, with Yoel Levi conducting, Perlman played Mozart's Concerto No 3 in G and Brahms' Concerto. Mozart's concerto is perhaps the loveliest of all five that he wrote. Yet it was in the much more difficult Brahms that Perlman showed his true mettle. Levi kept the orchestral strings almost unnecessarily discreet in the first movement, for Perlman's sound was huge, and seemingly effortless. Technically, the performance was immaculate. Yet it was also straight to the point of being plain, without the least sign of an individual way with a phrase. When Perlman encounters an accidental snag, he winces slightly. But here there were no accidents and Perlman obviously felt good throughout the cut and thrust of the finale. Every challenge brought a smile to his face, as if to say, no problem.

The Royal Philharmonic Orchestra's programme of American music at the Barbican last week was chosen for qualities of colour, evocative warmth and nostalgia. Walter Piston is best remembered as a teacher and writer of text books, yet his music for *The Incredible Flutist*, originally performed as a ballet in 1938, is far from academic. The concert suite from it offers a string of entertaining genre pieces, including a rowdy depiction of a circus arriving in which the orchestral players suddenly break out shouting, one of them even snapping like a dog.

Piston's suite was mirrored at the end of the concert by Gershwin's still noisier *An American in Paris*, whose jump-cut discontinuities were confronted frankly by the conductor Andrew Litton. The least descriptive music of the evening was the Concerto for clarinet, string orchestra, harp and piano, which Aaron Copland wrote for Benny Goodman. The wide-arched pastoral phrases of its first movement contrast satisfyingly with the breezy syncopations of the second, and Emma Johnson, playing from memory, pitched into both with obvious feeling.

The style of personal address was strong, too, in Sylvia McNair's lovely, crystal-clear singing of Samuel Barber's *Knoxville* – a bitter-sweet reverie broken by a central interlude depicting the jarring sound of the streets.

The American character of all these works is diverse yet unmistakeable. The only piece that might have been European was *The White Peacock*, by Charles Griffes, who died in 1920 at the age of 35. Griffes could be called a musical counterpart of Whistler – a connoisseur of subtle half-lights, and Andrew Litton showed a nice sense of visual suggestion by relinquishing his baton just to mould the sumptuous murmurs of Griffe's music.

The following evening the 23-year-old American Gil Shaham was the very slick soloist in Prokofiev's First Violin Concerto with the London Symphony Orchestra under André Previn. If Shaham's tone was lubricious, his articulation and tuning were absolutely certain; the performance was just a bit short on the final element of devilry because of Previn's tame accompaniment.

But the orchestra had its fun in Richard Strauss's *Symphonia Domestica*, probably the least often performed of all his orchestral showpieces, which inflates the daily events in the Strauss household out of all proportion to their very ordinary character. If the effect is mock heroic, Strauss's intention was almost certainly not ironic, though enjoyment of his virtuoso juggling of ideas and forms can be enhanced by spotting the echoes and pre-echoes of his other works. One of the most interesting sections in *Symphonia Domestica* is the least literally descriptive, for it represents sleep and the muddled images of dreams. Later, towards the end of the work, there is a succession of sure-fire tricks – multiple horn flourishes, a trumpet fanfare tossed high over the full orchestra, a shocking silence, which is then broken by all the violins swooping in unison – which are all thrilling. They were all brought off with bravura here, and the players looked justifiably proud and pleased at the end. They perform two more Strauss extravaganzas, *Don Quixote* and *An Alpine Symphony* on June 15 and 18.

Further Perlman concerts tonight and Saturday. The Royal Philharmonic Orchestra's concert was sponsored by American Airlines.

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: with violinist Jaap van Zweden. Zoltan Peskó conducts Rihm and Stockhausen; 8.15pm; Jun 17
OPERA/BALLET
Het Concertgebouw Tel: (020) 671 8345
● The Magic Flute: by Mozart. A semi-staged performance conducted by John Eliot Gardiner and with the English Baroque Soloists and Monteverdi Choir; 7.30pm; Jun 20
Het Muziektheater Tel: (020) 551 8922
● Die Meistersinger von Nürnberg: by Wagner. Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra and soloists Jan Hendrik Rootering and Siegfried Vogel; 5.30pm; Jun 16, 20

■ BERLIN

CONCERTS
Konzerthaus Tel: (020) 309 21 02/ 21 03
● Berlin Symphony Orchestra: Kurt Sanderling conducts Beethoven and Mozart; 8pm; Jun 15, 16, 17
● Catalan Festival: soprano Victoria de los Angeles is accompanied by the Guitar Quartet from Barcelona to play Guerrero, Sor, Giuliani and Montsalvage; 7.30pm; Jun 18
● Radio Symphony Orchestra Berlin: with soprano Celine Lindsley, alto Jane Henschel and tenor Donald George. Rafael Frühbeck de Burgos conducts Mendelssohn; 7.30pm; Jun 16
Staatsoper unter den Linden Tel: (030) 200 4762
● Berlin State Orchestra: with pianist Daniel Barenboim, soprano Laura Aikin and mezzo-soprano Katharina Kammerloher. Pierre Boulez conducts Wagner, Bartók and his own compositions; 4pm; Jun 17, 18 (11am)
OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Der Rosenkavalier: by Strauss. Conductor Jiří Kout, production by Götz Friedrich; 7.30pm; Jun 15
● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7.30pm; Jun 16
● Onegin: music by Tchaikovsky. Premiere at this venue, choreographed by John Cranko, produced by Reid Anderson and Jane Bourne; 5pm; Jun 17

■ BRUSSELS

CONCERTS
De Munt/La Monnaie Tel: (02) 218 2211
● Juliane Banse: soprano accompanied by pianist Wolfram Rieger; 8pm; Jun 16
● The Musicians of the Louvre: Marc Minkowski conducts Clarke's "Ode on Henry Purcell's Death" and Purcell's "Dido and Aeneas". Soloists include Benjamin Butterfield, Armand Gavriilidés, Brett Polegato and Véronique Geens; 8pm; Jun 21
OPERA/BALLET
De Munt/La Monnaie Tel: (02) 218 2211
● The Masked Ball: by Verdi. Conducted by Antonio Pappano and produced by Guy Joosten. Soloists include Franco Farina/Richard Margison, Edouardo Tumagyan/ William Stone and Elena Zaremba; 8pm; Jun 15, 17, 18 (3pm), 20

■ COLOGNE

CONCERTS
Kölner Philharmonie Tel: (0221) 2801
● Berlin State Orchestra: with pianist Daniel Barenboim, soprano Laura Aikin and mezzo-soprano Katharina Kammerloher. Pierre Boulez conducts Debussy's "Trois Nocturnes", Bartók's "Concert for Piano and Orchestra" and his own "Le Fisage Nupital"; 4pm; Jun 17, 18
● Radio Symphony Orchestra Stuttgart: with violincellist Mario Brunello. Gianluigi Gelmetti conducts Ravel, Haydn and Petrassi; 8pm; Jun 21

■ FRANKFURT

OPERA/BALLET
Oper Frankfurt Tel: (069) 23 60 61
● Lady Macbeth of Mtsensk: by Shostakovich. Conducted by Guido Johannes Rumstadt and produced by Werner Schroeter. Soloists include Valeri Alexejev, Ryszard Karczykowski and Christine Ciesinski; 7.30pm; Jun 15, 18 (3.30pm)
● Reigen: by Boesmans. A new production conducted by Sylvian Cambreling and produced by Luc Bondy. Soloists include Pia-Marie Nilsson, Doug Jones and Elzbieta Ardam; 7.30pm; Jun 21

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● London Symphony Orchestra: with soprano Cheryl Studer and cellist Tim Hugh. Andre Previn conducts Mozart, Beethoven and Strauss; 7.30pm; Jun 15
● London Symphony Orchestra: with soprano Cheryl Studer. Andre Previn conducts Strauss' "Four Last Songs" and "Alpine Symphony"; 7.30pm; Jun 18
● Peter Grimes: by Britten. Richard Hickox conducts the City of London Sinfonia and soloists Philip Langridge, Janice Watson and Alan Opie for a concert performance; 7.30pm; Jun 20
Royal Festival Hall Tel: (0171) 928 8800
● Itzhak Perlman: Yoel Levi conducts Bernstein, Barber and Tchaikovsky; 7.30pm; Jun 15
● Itzhak Perlman: Yoel Levi conducts Sibelius and Mendelssohn; 7.30pm; Jun 17
● New York Philharmonic: Kurt Masur conducts Strauss' "Metamorphosen" and Beethoven's "Symphony No.3"; 7.30pm; Jun 16
● Philharmonia Orchestra: with pianist Paul Crossley. Esa-Pekka Salonen conducts Messiaen's "Turangalila Symphony"; 7.30pm; Jun 20
GALLERIES
Riverside Studios Tel: (0181) 741 2251
● Yevgenny Khaldei: war photographs by the artist who was employed by the Tass news agency during WWII; to Jun 17
OPERA/BALLET
Royal Opera House Tel: (0171) 304 4000
● Billy Budd: by Britten. A new production conducted by Robert Spano and directed by Francesca Zambello. Soloists include Graham Clark, Francis Egerton, John Duykers and Rodney Gilfry/Peter Coleman-Wright; 7.30pm; Jun 15

■ NEW YORK

THEATRE
Plymouth Theater Tel: (212) 239 6200
● Chronicle of a Death Foretold: book by Gabriel García Marquez, adapted, choreographed and directed by Graciela Daniele; 8pm; from Jun 15 (not Mon)

■ PARIS

CONCERTS
Châtelet Tel: (1) 40 28 28 40
● Choir and orchestra of Les Arts Florissants: with soprano Susan Bullock, alto Susan Bickley, tenor Mark Padmore and Bass Thierry Félix. William Christie conducts Beethoven; 8pm; Jun 16
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with soprano Monica Pick-Hieronimi, mezzo-soprano Nadja Michael, tenor Thomas Dewald and bass Michael Volle. Charles Dutoit conducts Beethoven's "Symphony No.1" and "Symphony No.9"; 8pm; Jun 15

■ VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 1363
● Austrian Radio Symphony Orchestra: accompanied by the Viennese Youth Choir and soprano Nina Stemme, alto Claudia Schubert and bass Robert Holl. Martin Sieghart conducts Rubin and Haydn in a concert to commemorate the 50th anniversary of the end of WWII; 7.30pm; Jun 19
Wiener Konzerthaus Tel: (1) 712 1211
● New York Philharmonic: Kurt Masur conducts Strauss and Beethoven; 7.30pm; Jun 20
● Viennese Philharmonic Orchestra: Lorin Maazel conducts Shostakovich and Strauss; 7.30pm; Jun 16
● Viennese Symphony Orchestra: with tenor James Wagner. Raphael Frühbeck de Burgos conducts Berlioz's "Grande Messe des Morts"; 7.30pm; Jun 18, 19

■ WASHINGTON

CONCERTS
Wolf Trap Tel: (703) 255 1860
● National Symphony Orchestra: Peter Bay conducts an all-Tchaikovsky programme; 8.15pm; Jun 16
● National Symphony Orchestra: selections from 1940's movie scenes. Peter Bay conducts Addinsell, Herrmann, Berlioz, Rodgers and Tchaikovsky; 8.15pm; Jun 17

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The 'outsider' version of history

BOOK REVIEW

I suppose it is inevitable that anyone writing their memoirs is bound to indulge in a certain rewriting of history. This book is no exception. Baroness Thatcher felt a number of things must be put right by writing; in typical spirit it never dawned on her that her interpretation might be wrong.

All through her political career she appears to have been in opposition. "The inevitable loneliness of power has been exacerbated in my case by the fact I so often had to act as a lone opponent of the processes and attitudes of government itself," she says. "In the government I myself headed, I was often portrayed as an outsider." I dare say a large number of close colleagues will remember the occasions when she talked of government or party policy as if it had nothing to do with her.

As shadow employment spokesman during the years when she led the Conservatives in opposition between 1975 and 1979, I had many disagreements with her over the conduct of policy on the trade unions. The party's defeat at the polls in 1974 had been largely over the issue of trade union power after the debacle of the Industrial Relations Act. I felt we must be careful in our commitment to legislation and to the more normal Conservative reaction of union bashing. Margaret was in favour of this approach just so long as it did not exclude her from talking passionately about the freedom of the individual and abhorrence of the closed shop and hence union recognition. In view of what she says in the book about our relationship, it is more than a little surprising she kept me in the shadow cabinet at all, let alone gave me a place in the 1979 cabinet.

As ever, she was more cautious in her actions rather than her words. The influence of other more experienced shadow cabinet members counted for more than the more strident views of ideological allies such as Sir Keith Joseph.

Her views on the level of

THE PATH TO POWER
By Margaret Thatcher
HarperCollins £25.00. 656 pages

public expenditure were very strong. She is at pains to describe the mistaken policies of all postwar UK governments, particularly Conservative ones which should have known better. She is contemptuous of the records of two of her predecessors: Harold Macmillan and Edward Heath.

Yet in the Heath government she and Sir Keith Joseph were not only the big spenders, they constantly demanded more. She recounts with understandable pride how she persuaded both Edward Heath and his cabinet to give her "almost everything I wanted for the school building programme". Her disavowal of her own (and Sir Keith's) past profligacy was one of the causes of the subsequent bitterness with Edward Heath.

The second part of the book purports to deal with the period after she ceased to be prime minister. In fact, it is much more an account of her well-known views on a range of issues such as Bosnia, the Maastricht treaty, sterling's withdrawal from the Exchange Rate Mechanism, and public expenditure.

On the European Union and Maastricht, she states she "has fought many battles", but fails to admit that in the end she lost most of them. I remember well her saying she would not rest till the Common Agricultural Policy was destroyed, but 16 years later it is still very much alive.

Maastricht she terms a treaty too far. However, her record suggests she would have accepted the treaty at the end of the discussions – and most probably won fewer concessions than John Major, because of her stridency.

She relaunches the idea of the North Atlantic Free Trade Area to encompass North America and Europe including the eastern European states. The knowledge that neither the US nor our European partners are interested is no deterrent and one is left with the overwhelming impression that she is returning to her anti-EU posture.

However, despite all my disagreements with her over policy, I believe she handled the difficult task of leader of the opposition with skill. She always displayed great loyalty and consideration to her secretaries, nannies and friends – as also to her colleagues in the shadow cabinet, only a few of whom were her supporters.

Her convictions were always strong and her capacity to absorb briefs down to the minutest detail phenomenal. I never knew her come to a meeting without a sound knowledge of the subject under discussion. The problem was much more one of restraining her until the initiator of the paper had finished.

I found the account of her childhood and upbringing most interesting and rather moving – and much too short. But it is possible to understand much better what gave her the ambition and the convictions to succeed and to become the longest-serving prime minister this century. Her love for and dependence on Denis, her husband, shows through in chapter after chapter and no one will gainsay how lucky she was to have him, and how well he has played his part.

I presume this is the last volume of her memoirs, and now history must be left to decide the weight of her considerable contribution. Lady Thatcher believes socialism has been defeated once and for all and this is her proudest achievement. I hope she is correct, but in her praise for Tony Blair, the Labour leader, is she not just extolling the virtues of One Nation Conservatives? It would be an odd twist of fate to create a new One Nation party when you have destroyed your own.

Lord Prior

The reviewer was a cabinet minister under Sir Edward Heath and Lady Thatcher. He is chairman of the General Electric Company, the defence and electronics group.

ECONOMIC VIEWPOINT

Achieving stability

By Samuel Brittan

The link between money and prices is about the oldest proposition in economics. But the correct statement of that link has proved elusive and the distinguished contributors to a new symposium differ widely. (*The Quantity Theory of Money, Edward Elgar, £39.95*).

The contributions begin with an account by Walter Eltis of how John Locke, the English philosopher, used the Quantity Theory to put England on a sound money basis 300 years ago. Among other contributors, Mark Blaug writes on the logical issues raised; and Geoffrey Wood draws morals from the very limited success of the 1980s monetarist experiment.

The original Quantity Theory of money was designed for a gold standard world. It first flourished in the 16th century when gold and silver discoveries in the new world led to price inflation in Europe. It was used to denounce the notion that a nation's wealth depended on the amount of precious metals it had.

At a national level, an increase in the amount of gold or silver would leak out to the rest of the world through the balance of payments. At a world level (and the world was for practical purposes France, Spain and Britain), a doubling of the amount of gold would eventually be dissipated in an approximate doubling of prices measured in gold units.

The moral was that a country wanting to prosper had to rely on its own industry, enterprise and thrift rather than on ingenious devices for getting hold of more bullion. The theory also cautioned against policies such as issuing large amounts of paper money or clipping coins, all of which amounted to the imposition of an inflation tax by the sovereign on the people.

The same logical apparatus could be applied in the gold standard world of the 19th and part of the 20th century. It is only since the last links with gold were broken that monetarism has come into its own as a proposal for controlling the amount of fiat money (that is manmade currency not convertible into anything intrinsically valuable).

This whole branch of thinking could be made less arcane and brought nearer to ordinary experience by asking a few simple questions. How much is a household likely to spend? The instinctive response of many will be: "It depends on how much money it has."

This is apparently game, set and match to the monetarists. But explore a little deeper. By this answer, people do not literally mean how much cash and bank deposits they hold. They are more likely to mean some combination of their regular income and their wealth in the form of houses, financial assets and so on.

The monetarist then has a more difficult task – to show that large changes in nominal income or wealth ultimately depend on the behaviour of the banking system, which is in turn under the influence of official policy. This is more difficult, but possible.

More needs to be said. Surely if people are optimistic and full of animal spirits, they will try to borrow more and spend more, for any given level of income and wealth. If, as now, they feel pessimistic and depressed, and aggressively disposed towards business, they will fight attempted price increases by shopping around rather than by borrowing from banks. Why deny that this mood music has influence?

What monetarists need to assert is that central banks can stop either mood from going to excess. The power arises from the fact that commercial banks tend to keep reserves with central banks. The latter can by their own lending and borrowing operations increase or decrease the quantity of these reserves and thus increase or reduce the ability of banks to lend.

Where there is a danger of a deep recession it may not be enough to supply commercial banks with reserves on easy terms. There may be a case for scattering money to the people, either by dropping it from helicopters, as Milton Friedman posited, or by burying it in the ground and leaving it to the profit motive to dig it up, as Keynes once suggested.

Is there any difference between the quantity theory of money and monetarism? The quantity theory conjures up a vision of rustling academic gowns and long time series charted on blackboards. Monetarism suggests Tory wets shaking their heads at the excesses of early Thatcherism without any particular ideas about monetary policy in mind. But there are some crossovers. For instance, modern econometricians are more aptly described as monetarists than practitioners of the quantity theory. To complicate matters, Friedman is both.

If the supply is sensibly regulated inflation will still fluctuate but money will retain its value

The key distinction, it seems to me, is between the assertion that money influences prices and the policy proposal that central banks need only secure a low and fixed annual percentage increase in some chosen measure of money. Wood argues convincingly that the huge monetary changes of recent years, such as the abolition of exchange controls and direct controls on bank lending, were bound to affect monetary behaviour and distort any attempt to guide policy by a simple rule.

The quantity theory is basically less mechanistic than monetarism. Friedman, in his earlier and best academic work, emphasised that the relation between money and prices was not only subject to lags, but held good only on average. The implication surely is that if the money supply is sensibly regulated there will still be quite pronounced fluctuations in inflation from year to year, but money will retain its value over a period of years. Today's pound or Ecu will not be very different from the pound or Ecu in a century's time.

Wood uses this argument to give a very condensed warning about the present fashion for narrowly drawn up short-term inflation targets. Year to year stability in the rate of inflation may not be possible or even desirable; thus present fashions in inflation targets may come to the same grief as the strict monetarism attempted a decade ago.

What are we left with? We need some method of allowing the economy to breathe, that is to allow the inflation rate to vary from year to year without taking off into the stratosphere. Geoffrey Wood comes nearest to this approach when he cites the proposal of Bennett McCallum, a US monetary writer, that central bankers should vary the growth rate of the monetary base "in response to deviations of nominal gross domestic product growth from some desired rate". That rate should be "the economy's trend real growth rate plus some modest inflation".

At least the signals then point in the right direction. Policy is aimed very severely against inflation in times of growth and becomes stimulatory in a recession. But the authorities do not have to answer impossible questions such as "Is excess capacity above or below the safety level?" or "Is unemployment above or below the equilibrium level?" Nor is there is any reason why central bankers should go mechanically by the past. They can, for instance, take into account such forward-looking information as they can find from financial indicators such as bond rates, commodity prices and exchange rates.

The approach through nominal GDP has so far not won favour with policymakers because it has been treated as another technocratic gimmick and not as an intellectual tool for use in the medium term. But a fresh start is nevertheless required with less accumulated intellectual baggage and more openness to common sense.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Subsidised art leads to narrower choice

From Mr David Sawers.

Sir, Michael Prowse omitted one argument against subsidies for the arts in his assault on this misuse of taxpayers' funds ("Shakespeare didn't need a subsidy", June 12). Subsidised art tends to drive out unsubsidised art: so the choice of art available to the consumer will be narrowed, the development of the arts is all the more likely to be determined by the tastes of those who dispense the subsidies, and the commercial sector becomes increasingly limited to popular works that the subsidised sector spurns.

In the UK, new productions of plays are increasingly financed, wholly or in part, by the subsidised sector because it has access to free money, and partnerships between commercial and subsidised companies therefore increase the potential profitability of any venture. The beneficiaries from the system claim that this development shows that the theatre cannot exist without subsidies, although it merely demonstrates that businesspeople use the cheapest source of capital. Subsidised companies can thus largely determine what plays get produced in the UK.

In the US, subsidy does not have this influence over the arts. But the publicly supported television that Michael Prowse enjoys was blamed for the failure of the privately financed arts channels a decade ago: few viewers were willing to pay the substantial subscriptions demanded by the arts channels when public service television was free. In the UK, the existence of the tax-financed BBC similarly hampers the development of commercial arts channels; and the commercial services offer something different from the BBC.

Intellectuals on both sides of the Atlantic can then agree that commercial television is appalling, and only state finance can provide a decent service. But eliminating state finance might provide them with a better service – as well as enriching the taxpayers.

David Sawers,
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Littlehampton,
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Priority of G7 countries should be to put their economic houses in order

From Mr Rahmi M. Koç.

Sir, The most urgent problem facing the G7 summit is the currency turbulence that is playing havoc with corporate investment and profit margins. In our annual statement to the summit handed over to the Canadian prime minister in Ottawa last week, the International Chamber of Commerce said the best means open to the seven governments to restore stability in currency markets and promote solid world economic growth is for each to put its own economic house in order. Priority number one is to correct the financial imbalances that are at the root of the present currency instability.

Who should do what? The impression that the US Congress is still bent on cutting taxes rather than expenditure has unnerved financial markets. What the US should do is take firm measures to increase its savings rate and tackle its chronic current account deficit. And while Canada has been taking steps in the right direction, there is also still too much red ink in its accounts.

Japan is not a passive victim of the rising yen. For too long its economy has been overgeared towards exports. It has only itself to blame for the slow pace of deregulation which is preventing its economy from adapting to the new world of the 1990s. That needs changing fast.

In the European Union, the principal failure is endemic unemployment, which has been getting worse with every business cycle. The welfare state is fine for those in jobs, but is less attractive when it becomes an impediment to job creation. A bold approach is needed to loosen rigid labour laws and practices, tackle distortions of wage differentials, reduce regulation of business, and bring down non-wage labour costs.

Finally, all the G7 countries must get to grips with the stock of public debt, which in recent years has exploded to average about 72 per cent of collective gross domestic product in the OECD area.

This will require hard domestic decisions. It would be churlish to begrudge the G7 leaders their trip to Halifax. But they should remember that sound economic policy, like charity, begins at home.

Rahmi M. Koç,
president,
International Chamber of Commerce,
38 Cours Albert 1er,
75008 Paris, France

No chance to shop around

From Mr Richard S. Henderson

Sir, I note from your article "Higher carbon tax heats up debate" (Business and the Environment, June 14) that "Angela Merkel, the German environment minister, says the Danish case emphasises a need for 'further harmonisation of the European tax system' to prevent citizens from shopping around the internal market".

This may come as something of a surprise to those of your readers who might have supposed that shopping around was precisely what markets were for.

A brief exposure to German state-regulated shopping hours, which are clearly designed to prevent shopping around, or indeed shopping at all, would rapidly demonstrate that Angela Merkel's attitudes are, however, entirely in line with existing German practice generally.

Richard S. Henderson,
Heinestrasse 10,
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Germany

Cultural mismatch over names

From Mr Malcolm R. Dale.

Sir, If the English want to be snide about French culture they should get their own right first. Reporting that France "is suffering an invasion of Anglo-Saxon first names", Observer ("Kevin, n'est-ce pas?", June 13) gives three examples – none of which is Anglo-Saxon. Pauline dates back to the Roman Empire (and was the name of Napoleon's sister); Laura is Italian, with long French associations (remember Petrarch in the Vaucluse?) and Kevin is Irish. It should be obvious which culture has been "invaded".

Malcolm R. Dale,
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Northern Ireland's opportunities not something to be kept secret

From Baroness Denton of Wakefield.

Sir, Northern Ireland offers one of the most attractive locations for inward investment in the UK. Our successful record in attracting companies during the most difficult times is very visible proof of this.

In the new climate created by the ceasefires we are seeing increased visits from potential investors and many more phone calls to our overseas offices.

Indeed, I have just returned from Washington where President Clinton and his administration organised a trade and investment conference to help us build in this new time of opportunity.

The news does not seem to have reached the Financial Times, where every map and table in your relocation supplement of June 9 totally ignored Northern Ireland's existence.

As the best opportunity, we don't want it to be kept a secret.

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FINANCIAL TIMES

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The challenges facing the G7

Too much should not be expected from this year's summit of the group of seven leading industrial countries meeting, which begins in earnest today in Halifax, Nova Scotia. Even so, it still has plenty to do.

For several years the summits were dominated, rightly, by the need to complete the Uruguay round of international trade negotiations. Last year, in Naples, the decision was taken to address the reform of other international institutions, including the World Bank and the International Monetary Fund. The Mexican peso crisis has made this choice appear prescient.

To judge by the communiqué leaked to the press late last week, pre-summit negotiations among senior officials have achieved considerable agreement. Strengthening the IMF's surveillance and demands for transparency fall under the head of preventive medicine. Doubling the $28bn currently available under the General Agreement to Borrow should be regarded as emergency treatment.

The case for improved prevention is overwhelming. When it comes to treatment, however, misdiagnosis carries risks. In principle, the larger pool of emergency funds that is being proposed would be used to assist countries facing liquidity crises, rather than problems of insolvency. For maximum effectiveness, the funds are intended to be granted both more quickly *and* with more strings attached. These conditions appear contradictory. Either the IMF can move more quickly, or it can be more fastidious in its demands, but it is unlikely, mid-crisis, to manage both.

An even more important worry is whether the line between illiquidity and insolvency can be drawn. Significant liquidity problems usually arise from doubts about solvency. Where insolvency is indeed the problem, a better solution would be via formal debt-restructuring, a possibility the G7 seems set to explore.

Degree of caution

Helping developing countries to emerge is as important as stopping the emerging from submerging. The lack of a detailed analysis of the World Bank – and likely absence of agreement on reform of the United Nations – is regrettable. A commitment to assessing the problems created by debt owed to multilateral institutions would be welcome. But a degree of caution is sensible, since the G7 may propose, but it is the wider world that disposes.

Reform of international institutions requires the assent of countries not represented in Nova Scotia. So should the whole world, or at least a fairer representation of it, attend these summits?

To ask this question is also to ask what the G7 actually represents. If it is the club of the world's leading economic powers, not only Russia, but Canada and, arguably, Italy, the UK and France should be dropped, while China might soon have to be included. If it is made up of the world's leading democracies, India and Brazil would have a better claim to attend than Russia. Effectively, the G7 is a caucus of the like-minded and big countries of the rich North. That is itself a useful grouping.

Clearest neglect

Inevitably, attention will be focused on issues that are currently at the top of the leaders' in-trays: Bosnia, Russia, and the embittered trade relations between the US and Japan. A "hijack" of the summit by Bosnia would be desirable if it produced a new measure of agreement among the interested powers. But it is difficult to believe this is on the cards. The question of Russia's future within the G7 arises here: is it going to be the problem, or part of the solution?

Failure to address the trade issue would represent the clearest neglect of the summiteers' immediate task. The defence of the liberal trading system was, arguably, the chief achievement of the first G7 summits, in the early 1970s. It continues to be a high priority for these major market economies

Some fear that being tough on the US over its current policy towards Japan risks derailing the summit altogether. Yet Mr Clinton has to be told that US unilateralism imperils the rules-based multilateral system, to which his predecessors devoted so much effort and imagination. Who can make this point more effectively than this group of long-standing US allies?

Mr Clarke's new targets

A malign fate usually catches up with chancellors of the exchequer, unless they move on briskly, as John Major did after he put sterling into the ERM. This is, after all, among the most exposed jobs in British politics. Kenneth Clarke's response to the risks he runs is endearingly robust. Yesterday evening, at the Mansion House, he set out his "no-nonsense approach", based on the – absolutely correct – conviction that the one thing the UK does not need is another "politically motivated dash for growth".

The operational heart of the speech was the commitment to "set interest rates at the level judged necessary to achieve the inflation target of 2½ per cent or less". To rub in the point, the governor of the Bank of England said that it is by this target that "we expect our policy advice to be judged". Mr Clarke added that pursuit of this target should ensure that inflation will remain in the range of 1-4 per cent". Apparently, he means that, in the real world, pursuit of inflation of less than 2½ per cent might, from time to time, lead to inflation higher than that. He is right.

The statement that this target will run beyond this parliament must be taken with the broader commitment to sound public finances and a stable economy. The overall approach is intended to satisfy two different audiences.

Battle for credibility

People engaged in the financial markets search for signs that the chancellor is taking risks with inflation. Both the level of long-term interest rates and the gap between yields on index-linked and conventional gilts show the battle for credibility has still not been won. If the government is serious about achieving its targets, that lack of credibility will impose a cost on the economy, via higher than needed *ex post* real rates of interest.

Indications of disagreements with the governor of the Bank of England are exhaustively examined. Has he gone soft, ask the markets, or are these merely technical disputes? Much will depend on how sound his judgments turn out to be when they diverge from the Bank's. Yesterday, he merely stated that he and Eddie George "have friendly, constructive, occasionally combative discussions about how best to achieve the inflation target to which we are both passionately and equally committed". As if on cue, Mr George agreed that "reasonable people may differ from time to time in the judgments that they make as to precisely what course to steer".

While financial markets wonder if the chancellor is too political, his colleagues in Westminster fear he is insufficiently so. The chancellor is subject to calls from his back benches for more growth and lower taxes, accompanied by usually unspecified cuts in public spending. Many economists continue to wonder – sometimes explicitly, more often implicitly – why the government should bother to keep inflation low. Meanwhile, business people merely insist that the chancellor should provide low interest rates, low tax rates, low inflation and a competitive and stable exchange rate, for good measure.

Practicable ambitions

Mr Clarke's credo is that sound economics makes good politics. On this, he insists, he also is not for turning. He wants the UK "eventually" to have the strongest economy in Europe and living standards to double in 25 years. Mr Clarke is right that these are practicable ambitions. He is right, too, in insisting that the most important thing the government can do to decrease the feelings of insecurity of "Middle England" is to deliver a stable economy.

Do his colleagues want lower taxes? Fine, says the chancellor, but only by lowering spending as well. Do they want to win back the voters who have deserted them? Fine, says the chancellor, but not by sacrificing the core institutions of the welfare state, nor by abandoning the commitment to economic stability.

There are things in this speech with which one can disagree. Unhappily, investment is not leading this recovery, as yet. But Mr Clarke offers an intelligent Conservative vision, backed by more achievements than critics are prepared to recognise. In doing so, he offers a challenge to the opposition, to his colleagues and to the British people. It is unlikely to make him loved. But fate does not promise that to chancellors.

Poor prognosis for Tokyo patient

Gerard Baker on the grim implications for Japanese banks and the economy of the fall in share prices

Japan's traumatised financial markets are waiting nervously to see whether history repeats itself. The plunging stock market has reached a critical phase and the expectation is growing that the government will be forced into a rerun of the emergency measures it took in similar circumstances almost three years ago.

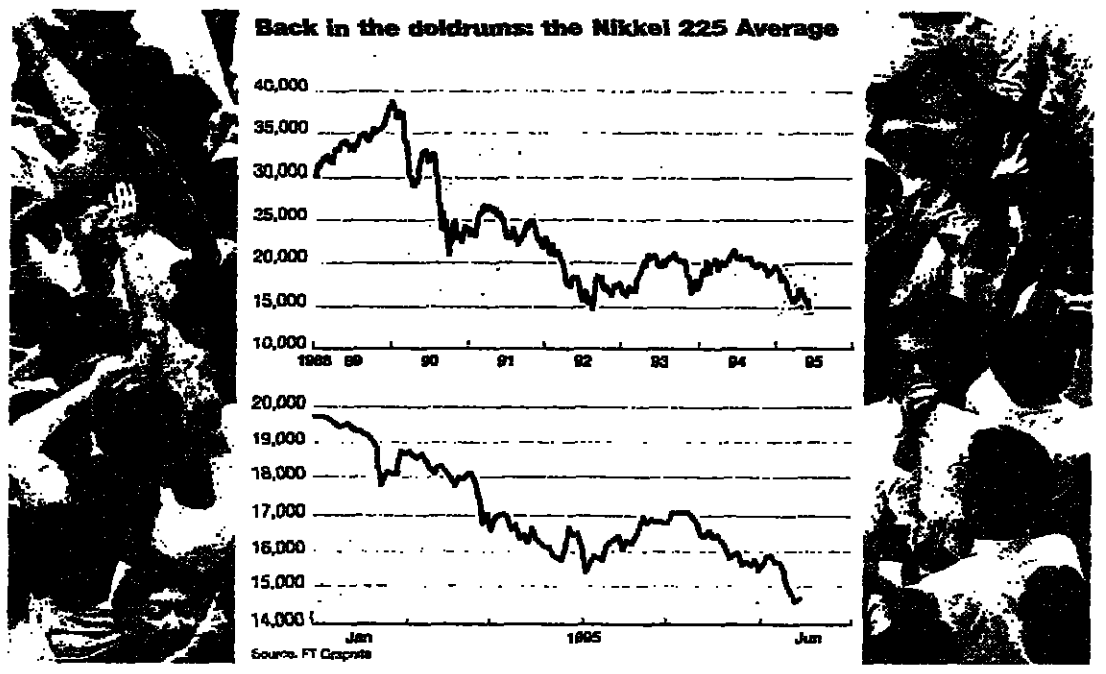
The market has now fallen perilously close to levels that in August 1992 sparked a full-blown crisis. In the past year the Nikkei index of 225 leading stocks has fallen 31 per cent. This week it closed below 15,000 for the first time since that critical month.

Investors have been heading for the exits in overwhelming numbers – the big Japanese institutions foremost among them. The life assurers, which bought stocks heavily in the 1980s, have subsequently discovered that the falling market has left them almost unable to meet their liabilities. They are dumping their risk-carrying assets; they sold more than Y2,000bn ($24bn) in the past month. Individual investors took most of their money out many months ago.

"Domestic sentiment is very depressed," says Mr Haruyoshi Mabuchi, senior strategist at the Nikko Research Centre, the research arm of Nikko Securities. "Large institutions will still need to liquidate stocks for some time yet."

Meanwhile, foreign investors, who played a key role in driving the market higher in the first half of last year, have now also turned their backs. For them the rise of the yen has offset much of the loss in the Nikkei in the past 12 months. Between the beginning of January and the first week of May equities fell 14.8 per cent, but in the same period the yen rose 16.5 per cent. However, in the past month, the yen has stabilised while stocks have fallen faster, pushing Japanese investment into negative returns for most foreigners.

In recent weeks the selling pressure has accelerated. Much of it is generally attributed to renewed fears about the health of the banking system. Falling stock prices blow large holes in banks' balance sheets, since they are permitted to count a proportion of their own unrealised gains on equities as capital. The critical level varies for each bank, but if the Nikkei moves below 14,000 a growing number will see their capital levels dip below agreed international guidelines – with bruising implications for the economy. Here lies the strongest parallel with 1992. Then, the market's (and some would say the economy's) nemesis was averted, or at least postponed, by the authorities' action.



In 1992, as the index threatened to fall below the 14,000 level, the government moved quickly to shore up the system. It immediately began buying up stocks, through public institutions (the notorious Price Keeping Operation, or PKO) backed up by higher public spending. For good measure it announced some imaginative schemes to help banks with their massive portfolio of non-performing loans and shortly afterwards cut the discount rate to an all-time low. Within days the Nikkei had bounced. And after three months it had risen more than 15 per cent, providing vital flotation for the balance sheets of most of the country's banks.

But it was really only a respite, not a cure. Now prices are back where they were. And this time the condition of the financial system is, if anything, worse. Several smaller banks are believed to be on the point of collapse. Demand for lending is chronically weak and problem loans are still rising. Even in a relatively healthy financial climate the damage would be serious, but in Japan's present state the risk of prolonged debility in the banking system is high.

Yet so far the government has not ridden decisively to the rescue. The discount rate was cut again in April to 1 per cent and various tax cuts and public spending increases have been tried. But none of them has been targeted at the banks specifically. Last week investors were further demoralised by the unveiling of a long-awaited package of rescue measures that amounted to little more than a few vague exhortations and the repetition of some basic central banking mantras.

The market has now fallen perilously close to levels that in August 1992 sparked a full-blown crisis

"The leading investors are locked in a deflationary spiral," says Mr Neil Rogers, strategist at UBS Securities in Tokyo. "Falling stock prices depress confidence, encouraging risk-averse investments such as yen bonds. That puts further pressure on stocks and so on. Sooner or later prices fall to a point where banks have real problems – then the government will have to act."

But the authorities have much less room to manoeuvre this time. One important change from 1992 is popular opposition to the use of public funds to bail out the banking system. In April, the voters of Tokyo elected a governor, a former television comedian at that, whose principal policy platform had been opposition to the city's contribution to a badly bungled bail-out of two small banks. The operation was led by the Bank of Japan and the finance ministry, and many ministry officials saw the vote as a portentous rebuff to their well-laid plans for an orderly reconstruction of the banking system.

The public anger unleashed may have frightened off the authorities from attempting a rescue at all. But even if they do manage to bolt together a bail-out plan for banks that will not incur the wrath of the voters, there is a growing view that investors will still shun the stock market.

According to some analysts, a financial rescue package this time would prove even shorter-lived than the last one. That is because the market is being driven lower not by alarm about the financial system but by real economic fundamentals.

"A bank rescue does not really improve the position much," says Mr David Pike, head of research at BZW Securities in Tokyo. "It doesn't address the main problem – underlying economic weakness."

For the equity market, that weakness has been clearly manifested in dismal corporate profits. Confounding the expectations of most analysts, net profits fell again, for the fifth year in succession, in the financial year to the end of March. Only the forecasts for the current year suggest a recovery, with profits expected to rise by more than 30 per cent. But the cruel reality is that forecasts of rising profits have been made in each of the last three years, and have not materialised.

The underlying problem for the corporate sector is the continuing pressure on profit margins from falling prices. Raw materials costs have been falling for more than a year, thanks largely to the strong yen. That is nothing new. Input prices in fact have fallen less this time than they did in the mid-1980s, when the yen's rise pushed them down at an annual rate of 10 per cent at one point.

What is different is that companies are now passing those declines directly on to their customers. Weak demand at home has put pressure on companies to cut their prices. That has been compounded by a surge in imports. "Domestic demand is weak, the yen is strong – that combination is pushing final prices down much faster than inputs," says Mr Peter Tasker, strategist at stockbrokers Kleinwort Benson International in Tokyo.

The overall effect is an unprecedented squeeze on total nominal demand in the economy. For the first time since the 1920s, Japanese nominal gross domestic product in the present quarter is likely to register a decline – not good news for a stock market whose fortunes are tied to nominal, not real performance.

At the root of all this is demand deficiency. Japan is still locked in a chronic malaise of overcapacity from the period of surging asset prices in the late 1980s. Land prices are still falling, a factor which is transmitted to companies and individuals through smaller wealth and higher real levels of debt.

Until those excesses are eliminated, quick fixes can do little more than give the banking sector some breathing space. They are unlikely to restore confidence to the market, or produce any early sign of strength in what underpins it: the economy.

The death of the conglomerate has been much exaggerated, argues **Tony Jackson**

Management matters

This week's decision by the US corporation ITT to split itself up seems to sound the death-knell of the conglomerate. For decades, ITT was the classic of the breed: a vast sprawl of unrelated companies, built up through voracious acquisition in the 1960s and 1970s by Mr Harold Geneen, its then boss.

Mr Geneen's successor, Mr Rand Araskog, has evidently seen the light. As he explained it on Tuesday, ITT's three businesses – insurance, industrial and hotels and gaming – are all capital-intensive. They also need to hire good people.

Splitting the three businesses up, Mr Araskog said, would help them compete in both fields. They could raise capital more cheaply, and could attract staff who would shun the notion of working for a conglomerate. It was a question, he said, of "finding support, both financial and human, to continue the rapid growth of the three parts of the company".

The stock market would appear to agree. In December, before investors began to grasp what ITT had in mind, its stock stood at around $80 – a meagre premium to book value in Wall Street terms. By yesterday it had risen almost 50 per cent to a more respectable $118.

The old rationale for conglomerates spoke of achieving balance by assembling businesses with different cyclical characteristics. Conglomerates could also take poorly-run companies and subject them to professional management.

The counter-argument is that to compete in today's world, managers need focus. As for the capital markets, they are now sophisticated enough to fund companies through cyclical downturns, while the stock market puts a higher value on businesses which are separately identifiable.

There are several snags in this now familiar argument. Take ITT's case first. The company has been refining itself ever since Mr Araskog took over in 1979, and has shed several hundred subsidiaries – including its original telephone business – in the process. By last year, it had reached the point of separately identifying the three businesses into which it is now splitting itself, and reported its results accordingly.

The hypothesis is thus that back in December the market was seriously undervaluing three clearly identified streams of income, simply because they were represented by one share instead of three. Academics may argue over how efficient the market is in establishing correct value: but inefficiency on this scale seems out of the question.

ITT is the classic of the breed: a vast sprawl of unrelated companies, built up by acquisition

The argument about focus is awkward on a broader front. It would be hard to find a more focused company than Ford Motor. Its financial record is awful, and its shares stand at a smaller premium to book value than ITT's at their worst.

Corporate America is littered with high-performing companies which are conglomerates in all but name. Take Johnson & Johnson, which makes anything from toothbrushes and baby oil to blood-testing machines and brain surgery equipment.

Or take General Electric, which makes aero engines and washing machines and owns a television network. Its financial performance and stock rating make it the most valuable company in the US.

There is no doubt that ITT became a machine for destroying value: its book value per share has fallen by almost a fifth in the past five years. This was not because it was a conglomerate, but because its management was not functioning properly. While Mr Araskog might not put it in quite those terms, he touched on the point in talking to analysts on Tuesday.

By way of testing the water for demerger, he said, ITT had spun off its timber and pulp business and a minority stake in its educational services business. "I've had the chance to observe the reaction of management at both those companies," he said. "While it might be difficult for the head of a conglomerate to admit it, it's clear that there is a distinctly new excitement."

Mr Araskog may be right to think that splitting the company will release the energies of management and improve their performance. That seems to have been the experience of several other companies which have taken the break-up route, such as Imperial Chemical Industries, the UK chemical giant.

That is the basis on which the stock market has pushed up ITT's shares. It will also be why, if Mr Araskog is right, the three new companies will secure capital on better terms.

In short, the argument about conglomerates is a red herring. At certain points, the management of certain companies becomes dysfunctional, and is better disbanded.

Other companies contrive to run highly disparate businesses with great success. Many are, in reality, conglomerates. The fact that they reject the label is in large part the legacy of ITT.

OBSERVER

Atomic balls at Halifax

■ The Halifax G7 summit hasn't even started, yet Jean Chrétien, Canada's prime minister, is already claiming a success.

He has managed to keep the bill for what he calls the "Chevrolet summit" down to C$28m, a reduction of more than C$1m over what Canada paid when it last hosted a G7 summit, in Toronto in 1988.

This penny-pinching has of course been at some cost. One of the unwritten rules of summitry is that the organisers ensure free food and drink for the hacks covering the event. Not that they can be bribed; but a full stomach does wonders for coverage. Thus a Reuter report saying journalists would have to pay for grub induced foaming at the mouths of otherwise peaceable scribblers.

Corporate sponsors to the rescue! McCain, a Canadian food group, expects to give away 27,000 packets of fruit juice and 30,000 sticky honey buns in the summit media centre by the time talks finish on Saturday. On the beverage front, Moosehead, a local brewery, will supply beer, as well as saving the organisers C$80,000 by lending a security fence to protect the world's leaders.

Among the more enterprising of the 60 companies donating money or services in return for a chance to plug themselves is a local seafood company, handing out samples of smoked salmon and mackerel to weary travellers waiting by the slow moving baggage carousel at Halifax airport.

But the prize for unexpected largesse must go to Atomic Energy of Canada, which has braved a summit with a strong environmentalist tinge to hand out something called "atomic golf balls". Treated with electrons, the balls are supposed to have added bounce. Let's hope some of their magic rubs off on the summit leaders.

Slimmer fat cats

■ Now we know why Salomon Brothers is backing down from its controversial plan to cut the salaries of its top earners by up to two thirds. The fat cats are already suffering enough, judging by a review of Wall Street pay in Financial World magazine.

Indeed, FW had to lower the minimum threshold, from $10m to $5m, to find enough people to fill its roll call of the 100 best paid executives on Wall Street. Even so, 60 members of the 1993 class of Wall Street big hitters still failed to make it into the latest list. Of the remainder, George Soros is the best known casualty. For the first time in four years Soros failed to top the list. But he still came in second, with $70m.

And don't shed too many tears for Salomon's top team. Five of the top 20 Wall Street earners came from Salomon, compared with one from Lazard Freres – and none from the likes of Morgan Stanley and Goldman Sachs.

Ultimate sacrifice

■ It's not often that divine intervention tells you to run for the presidency of a country's central bank. But Hanna Gronkiewicz-Waltz, head of Poland's independent central bank, says that it inspired her to do just that, and now she wants to run against the incumbent, Lech Walesa, in the presidential election later this year.

Divine intervention may come in useful to heal some rifts that will crop up along the way. For there will be some blood on the carpet – Walesa promoted her from nowhere into the bank job in the first place.

In her forties and a devout Roman Catholic, Gronkiewicz-Waltz was a relatively unknown academic at Warsaw University, teaching banking law, when she attracted the attention of Walesa in 1992, having preached his merits from the ranks of a tiny political party called Victory.

Not one to shun an acolyte, Walesa promptly put her in charge of the bank, much to the dismay of experts who appointed to her inexperience. She confounded the critics and kept a tight rein over money supply – to the irritation of several government ministers.

What has Walesa done to deserve such disloyalty? Gronkiewicz-Waltz, an anti-feminist, justifies her move by saying Walesa is such an important historical figure that his achievements must not be tarnished by the risk of losing an election.

I didn't mean it

■ Minoru Makihara, president of Mitsubishi Corporation, is upset.

An advertisement by the American Automobile Manufacturers Association, which appeared in the Washington Post on Tuesday, called upon Japan to open its market to foreign cars, trucks and auto parts. The advertisement read: "Who says Japan must ease regulations and change business customs?" Those apparently in favour were named as President Bill Clinton, Senator Bob Dole, Speaker Newt Gingrich – and Minoru Makihara.

Unfortunately for Makihara, head of a company belonging to one of Japan's most prestigious *keiretsu*, the association had tracked down a quote from him in the Asahi, a leading Japanese daily newspaper, claiming that "Japan must ease business regulations and change business customs".

Mitsubishi says Makihara was misquoted, and that he will fully explain himself to foreign hacks in Tokyo today.

Should be an interesting event – so long as the right questions are asked.

The Financial Times

100 years ago

Edison Swan Electric Light Co
The Civil Lord of the Admiralty was asked in the House of Commons if the Edison Swan Electric Light Company were executing an Admiralty order for incandescent lamps. He was asked if he was aware that a strike began there a fortnight ago, of which the object was to compel the firm to recognise the standard rate of wages; and that one effect of this strike had been to bring out of work 330 women, in addition to about 80 men and boys concerned in the strike itself.

New coinage
Vienna: The Neue Frei Presse has published a despatch from Budapest stating that the Hungarian Minister of Finance has left for Vienna in order to confer with Dr. Plener, the Austrian Finance Minister, regarding the cost of the new coinage to be struck next year.

50 years ago

Standard Motor and Australia
Mr H.H. Robinson, representative of the Standard Motor Company in Sydney, announced to-day that the Standard Motor Company of Coventry has completed plans to begin manufacturing cars with Richards Industries of Adelaide.

FINANCIAL TIMES
Thursday June 15 1995

Russian parliament backs foreign investment in oil

By Chrystia Freeland in Moscow and Robert Corzine in London

The Russian parliament yesterday approved a law which could pave the way for tens of billions of dollars of western investment in Russia's oil industry.

Approval of the production-sharing law by the Duma, the lower house of the Russian parliament, was the vital missing piece in Russia's legislative jigsaw regulating foreign investment in the oil sector.

Western companies have held off from going ahead with large oil development projects because of the country's insecure legal environment.

But passage of the legislation means that "now is the moment of truth" for many western oil companies, according to Mr Charbel Ackermann, of the Boston Consulting Group.

However, lobbying by Russian oil companies has secured amendments to the bill which could deprive western oil companies of some of the privileges they would have enjoyed under earlier drafts.

Moreover, some western companies want separate approval for specific projects before committing large amounts of capital. Western businesses in Moscow fear that securing such approvals may prove difficult.

Although both the upper house of parliament and the president may still block the legislation, Russian experts expected it to clear the remaining hurdles easily. The bill could be signed into law by President Boris Yeltsin before the end of this month.

The legislation covers all minerals, including oil and diamonds, and obliges the Russian government to stick to the initial terms of all contracts it signs with foreign investors for the legal duration of the deals.

Political instability in Russia and the country's chaotic civil laws had made western oil companies reluctant to make significant investments without firmer legal guarantees.

Mr Alexei Melnikov, an MP from the reformist Yabloko bloc in parliament and one of the authors of the production-sharing bill, said it would clear the way for 12 substantial oil and gas projects with western investors and for $60bn-$70bn in direct foreign investment over the next decade.

The state property fund yesterday approved guidelines for the sale of convertible bonds by Lukoil, Russia's largest oil company.

Lukoil now has approval to issue convertible bonds backed by an 11 per cent stake in the company currently held by the Russian government. After April 5 1996 the state will relinquish this stake and the bonds will be converted into shares.

Lukoil, which hopes to raise $300m-$400m through the bond issue, plans two separate offerings, one for the domestic market and another targeted at foreign investors.

Mozart hits wrong note with Poland and Germany

By Christopher Bobinski in Warsaw

Relations between Germany and Poland have struck a discordant note over the works of Mozart, Schubert and Brahms.

Mr Klaus Kinkel, the German foreign minister, was in Poland yesterday attempting to convince his hosts to return the composers' manuscripts which were taken from Germany at the end of the second world war.

The two countries are contesting the ownership of musical manuscripts and priceless books once stored in the Prussian state library and now in the Jagiellonian University library in the southern Polish city of Krakow.

The dispute between Poland and Germany has echoes of the arguments throughout eastern and central Europe over the ownership of art works and libraries confiscated by the German army or taken from Germany at the end of the war in 1945.

Mr Kinkel was also in Warsaw to reassure Polish leaders of German support for the country's future membership of the European Union, but said his government wants the return of the collection, which includes a quarter of Mozart's manuscripts. Bonn would like the unfinished business settled ahead of a visit to Warsaw by Chancellor Helmut Kohl on July 6.

Mr Wladyslaw Bartoszewski, Polish foreign minister, said the issue of restitution of works of art and documents had to be resolved "globally" rather than piece by piece.

In April, both sides met in Berlin for a fifth round of talks on the subject. The Germans asked for a return of the Prussian library, while the Poles presented a list of 114 items removed from present Polish territory during the last war and currently thought to be in Germany.

The most valuable contents of the Prussian state library were evacuated from Berlin in 1941 to Germany's eastern territories and elsewhere to take them out of range of allied bombing raids. The Poles subsequently came across part of the collection in 1945 and stored it in Krakow, out of the grasp of the Soviet army.

The collection resurfaced in 1977 when Mr Edward Gierek, the then Polish Communist party leader, returned the original manuscript of Beethoven's Ninth Symphony to Mr Erich Honecker, his East German counterpart.

The Poles argue that the collection – including 570,000 books, about 7,500 of which were printed between the 15th and 18th centuries – belongs to the state as abandoned German property, a category recognised in international law.

But the Germans say the collection is war booty and should be returned.

Mexico planning return to bond market

By Richard Lapper in London

Mexico is about to announce its return to the public bond markets, six months after the peso crisis.

Bancomex, a government-owned development bank, is expected today to raise between $200m and $300m with Mexico's first public issue since devaluation last December triggered severe financial crisis and a sharp contraction in the economy.

Mr Guillermo Ortiz, finance minister, said legal documentation was now in place for Mexico to raise more money through public bond issues. Mr Ortiz, who was in London for a conference of international borrowers and investors, said the country "had regained access to the capital markets much earlier than I expected".

Banco Santander de Negocios, the Spanish bank, is leading the issue for Bancomex. The bond is a floating rate note and is expected to pay interest at 5 percentage points over the London interbank offered rate (Libor).

Bancomex and Nafinsa, another state development bank, have already raised some $750m in recent weeks.

In contrast to Mexico's recovery from its last financial crisis in the 1980s, the recovery has been based on a rapid growth in exports, made possible in part by a 50 per cent devaluation in the peso.

In the first four months of 1995 exports grew by 32 per cent compared with the same period of last year, with the non-oil and maquila (assembly of imported components for re-export) sectors rising by 40 per cent. During the same period imports fell by 5 per cent on last year.

The export recovery has been so strong that reserves have increased – gross reserves currently stand at $10.65bn – and Mexico has not made complete use of a multi-billion dollar aid package agreed by the US and the multilateral institutions.

Mexico has also made progress in successfully meeting payments on its short-term government debt, with the value of outstanding *tesobonos* (dollar-linked treasury bills) falling from some $30bn in December 1994 to about $10bn today.

During the first quarter the government repaid $16bn in *tesobonos*, drawing $11bn of this amount from the support package. It expects to repay $9bn in the second quarter of the year, covering about one third of this amount from its own resources, and a further $6.7bn during July and August.

Mexico has some $20bn available to it from the support package available to draw on in the second half of the year.

PRI funding scandal, Page 4

Britain's inflation target extended

Continued from Page 1

would now be extended indefinitely beyond the next general election, which must be held by April 1997. The target for underlying inflation up to the end of the parliament is 1-4 per cent. The rate in the year to April was 2.6 per cent.

The chancellor combined a message of fiscal and monetary probity with an attempt to reassure Tory MPs desperate for a revival in their popularity among the key voters of "middle England". Mr Clarke conceded that the pursuit of economic stability had been painful. "The full benefits to the consumer have yet to feed through. But they will," he said.

The financial markets showed little reaction to the extension of the inflation target, but some City economists warned that Mr Clarke was not as tough as he claimed.

The chancellor promised that interest rates would be set at the level needed to keep underlying inflation below 2.5 per cent. But he also added that shocks like the recent sharp risein commodity prices could take inflation out of that range temporarily.

Mr Keith Skeoch, chief economist at James Capel, said this was an unnecessary addendum: "If you were unkind you would say that there was room for a get-out there."

Mr Bill Martin, chief economist at UBS, argued that the relevant range for monetary policy was now clearly 1-4 per cent and that Mr Clarke had therefore announced "a timely relaxation" which would give him more room for manoeuvre.

In his speech to the Mansion house dinner, Mr Eddie George, governor of the Bank of England, said he very much welcomed Mr Clarke's unambiguous commitment to permanently low inflation.

THE LEX COLUMN

Diet of Worms

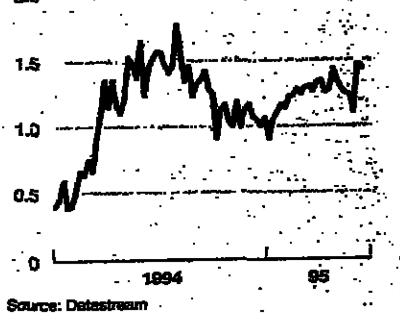
Mr Gérard Worms, Suez's chairman, is the Julius Caesar of the French corporate stage. Yesterday, one by one, his most important shareholders publicly plunged their knives into the chairman and his plans. The attack was justified. Mr Worms' desire to raise equity to invest in Pinault was profoundly illogical. The move repeated Suez's traditional trick of buying assets at a premium with lowly rated paper – assets that also offered no synergies with existing businesses. The move might have secured Mr Worms an elegant escape rather than ignominious exit, but, as usual, it involved maximising influence rather than return. Pinault would probably have ended up controlling the group without paying a premium.

Mr Michel Pébereau, BNP's chairman, initiated this crisis by taking a stake in Suez. He must now bring it to a speedy conclusion. Suez's performance has been painfully poor. Without a viable strategy, the status quo is unsustainable. Replacing Mr Worms is not enough.

The arguments for breaking up Suez are compelling. The 30 per cent discount to net asset value could be substantially reduced by selling Indosuez and its valuable Asian franchise: Suez might be tempted to adopt a Franco-French solution by selling it to Crédit Agricole or BNP. But foreign buyers might pay more. Similarly, its stake in Société de Belgique could be sold, or distributed to Suez's shareholders. It is time to put Suez out of its misery: the group long ago ceased to have a valid *raison d'être*.

FT-SE Eurotrack 200: 1445.8 (-2.4)

UK yield spread



Source: Datastream

UK economy

Britain still has some way to go before it is accepted in financial markets as a low-inflation economy. As measured by the gap between British and German government bond yields, investors expect medium-term UK inflation to exceed German inflation on average by 1½ percentage points. Yesterday's Mansion House speeches by the chancellor and the Bank of England's governor will have done little to change those expectations.

A target for underlying inflation of below 2½ per cent is fair enough, though the chancellor fudged the issue by also talking about ensuring that inflation stayed within a 1-4 per cent range. At least, the governor avoided such shilly-shallying in his speech, mentioning only the 2½ per cent target. But that may be little comfort to markets given that the chancellor rejected the governor's advice last month to put up interest rates. Given that subsequent economic data have apparently justified the chancellor's decision, he could be less willing to heed the bank's advice in future. The governor's latest spin – that credibility would be damaged if the two men always took the same view – does not cut much ice.

Moreover, despite the chancellor's rhetoric about not having a money tree from which he can pick £10 notes, markets will worry about excessive tax cuts in the next budget. He may be unable to resist the clamour for "give-aways" from backbench Tory MPs. All this means that investors will rightly doubt whether the UK is yet on course to achieve one of the best inflation performances in Europe.

Laura Ashley

The Laura Ashley brand has displayed extraordinary resilience: after five years of ineffectual restructurings and management upheaval, the name still has an international cachet. The challenge for the group's new chief executive is to rebuild profitability and sales, and Mrs Ann Iverson is ideally qualified to do this.

The job requires a combination of retailing flair with operational hard-headedness, coupled with an understanding of the retail market in both the UK and the US. Even though Mrs Iverson has this mix of qualities, the task is far from straightforward. She must see through the £34m rationalisation announced in April, sort out the merchandising problems which have dogged the US operations and take further costs out of manufacturing. She must also engineer sales growth, which will involve clever exploitation of the delicate Ashley brand. Too aggressive promotion will ruin the brand, but too narrow a focus on clothes and furnishings will limit the opportunities for growth. The hope is that the woman who livened up Mothercare with talking trees and singing clocks will find similar ways of reinvigorating Ashley.

If sales climb rapidly on a much reduced cost base, there is scope for a substantial improvement in profits and margins. The problem for investors attracted by the recovery story is that this is already in the price: at [illegible]p the shares stand on optimistic multiples of 40 and 22 times expected earnings for this year and next.

Goodwill

The Accounting Standards Board's proposals on accounting for goodwill are a triumph of diplomacy as well as intellectual ingenuity. The ASB's style has hitherto been somewhat confrontational, but the new rules are designed to please those who prepare accounts – namely companies – and those who use them, chiefly investors.

Amazingly, given the passions which goodwill accounting provokes, the proposals are likely to meet with widespread approval. This is despite the fact that companies' favoured way of dealing with the substance – writing it off against reserves – is set to be outlawed. The reason is that companies will not be obliged to write goodwill off against earnings over an arbitrary number of years. They may do this if they want, but in practice big companies will opt to leave the goodwill on the balance sheet, testing it from year to year to see whether there has been any diminution in its value. Sensibly, companies will be able to keep brands and other intangibles on the balance sheet, subject to similar tests.

If the proposals are adopted, the quality of accounts will be doubly improved. Goodwill will be visible in the accounts, not written off and forgotten. Furthermore, the tests on the value of goodwill seem rigorous and yet not unduly complicated, and will prove a useful discipline for managers. They will however add to the pressures on auditors, who will be forced to exercise judgment where they may have preferred clear-cut guidelines.

Additional Lex comment on NFC, Page 20

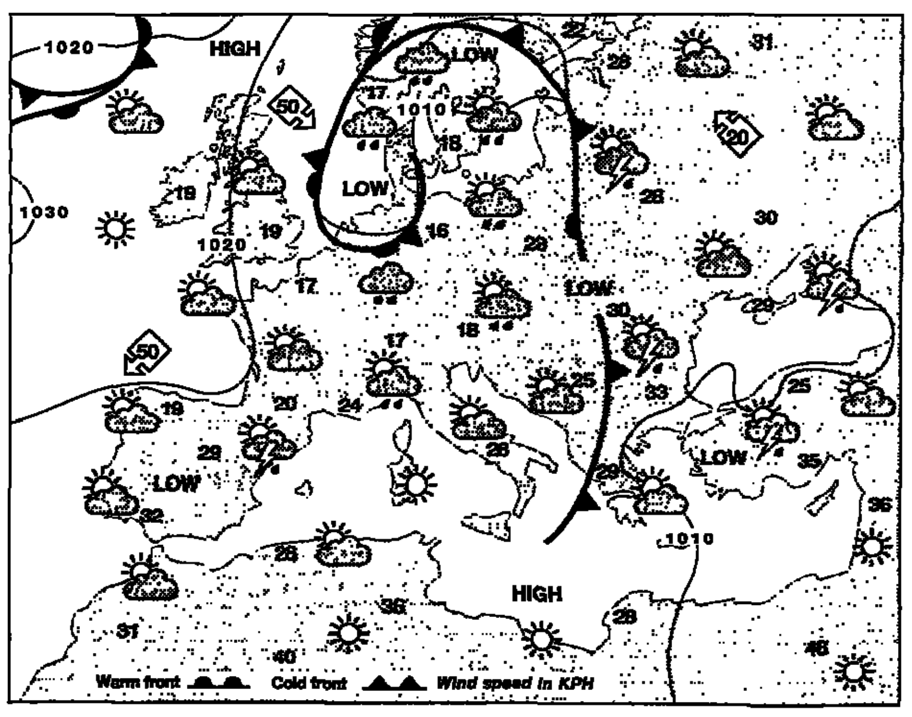
FT WEATHER GUIDE

Europe today

Low pressure west of Denmark will produce a lot of cloud and rain over the Low Countries and parts of Germany with afternoon temperatures remaining below 17C. The UK will be dry. A cold front will move into eastern Europe accompanied by patchy cloud and scattered thunder showers. In the wake of this front, more showers and some cloud will occur over central Europe. Southern Italy, Greece and most of Spain will be mainly sunny. Afternoon temperatures will easily exceed 25C in most areas and may reach 33C in parts of Greece.

Five-day forecast

Rain and thunder showers will linger over eastern Europe and later over European Russia. At the start of the weekend, north-west Europe will be rather sunny and dry but showers will increase by the end of the weekend. A frontal system will cause a lot of cloud and rain in the north-western UK from Saturday. Most of south-east Europe will have sunny periods with a few thunder storms.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius															
			Beijing	cloudy	31	Caracas	cloudy	31	Faro	fair	25	Madrid	fair	29	Rangoon	cloudy	26
			Belfast	fair	20	Cardiff	fair	21	Frankfurt	drzzl	19	Majorca	fair	26	Reykjavik	shower	10
Abu Dhabi	sun	39	Belgrade	thund	25	Casablanca	fair	23	Geneva	fair	20	Malta	sun	27	Rio	fair	29
Accra	shower	28	Berlin	cloudy	19	Chicago	fair	29	Gibraltar	fair	26	Manchester	fair	20	Rome	fair	25
Algiers	sun	28	Bermuda	fair	28	Cologne	rain	17	Glasgow	fair	20	Manila	fair	35	S. Frsco	shower	18
Amsterdam	rain	14	Bogota	cloudy	23	Dakar	fair	28	Hamburg	rain	16	Melbourne	shower	15	Seoul	fair	28
Athens	fair	29	Bombay	fair	34	Dallas	sun	36	Helsinki	shower	25	Mexico City	cloudy	31	Singapore	thund	34
Atlanta	sun	29	Brussels	drzzl	15	Delhi	fair	44	Hong Kong	cloudy	32	Miami	fair	30	Stockholm	cloudy	21
B. Aires	fair	18	Budapest	shower	24	Dubai	sun	39	Honolulu	fair	31	Milan	shower	20	Strasbourg	drzzl	19
B.ham	fair	20	C.hagen	cloudy	17	Dublin	fair	19	Istanbul	thund	29	Montreal	fair	25	Sydney	shower	16
Bangkok	thund	36	Cairo	sun	41	Dubrovnik	fair	27	Jakarta	fair	32	Moscow	fair	29	Tangier	fair	26
Barcelona	thund	22	Cape Town	cloudy	15	Edinburgh	fair	18	Jersey	fair	15	Munich	cloudy	19	Tel Aviv	sun	35
									Karachi	fair	34	Nairobi	fair	27	Tokyo	fair	24
									Kuwait	sun	42	Naples	fair	26	Toronto	fair	25
									L. Angeles	fair	20	Nassau	shower	31	Vancouver	fair	19
									Las Palmas	fair	25	New York	sun	26	Venice	shower	22
									Lima	cloudy	22	Nice	fair	22	Vienna	shower	21
									Lisbon	fair	24	Nicosia	sun	39	Warsaw	shower	23
									London	fair	20	Oslo	rain	20	Washington	sun	29
									Lux.bourg	drzzl	15	Paris	cloudy	19	Wellington	rain	9
									Lyon	fair	21	Perth	fair	18	Winnipeg	fair	30
									Madeira	fair	22	Prague	cloudy	18	Zurich	cloudy	17

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday June 15 1995

IN BRIEF

WR Grace to divest medical care unit

W.R. Grace, the US chemical group, is to spin off its National Medical Care subsidiary tax-free to shareholders. The head of the business, Mr Constantine Hampers, had bid $3.5bn for it and will remain as chairman. Grace said it had turned down an approach from Vivra, a smaller Californian healthcare company.

KHD and chief executive go separate ways
Klöckner-Humboldt-Deutz (KHD), the troubled German engine maker, has parted company with Mr Werner Kirchgässer, its chief executive. He is believed to have had disagreements with Mr Michael Endres, the Deutsche Bank director who chairs KHD's supervisory board. Page 16

Portugal privatises tobacco company
The Portuguese government is to privatise Tabaqueira, a tobacco company, by selling 80 per cent to a single buyer and the remainder to employees and small savers. Page 16

Norwegian bank launches rival bid
Sparebanken Nor, Norway's biggest savings bank, has launched a rival bid for Norgeskreditt Holding, the emerging Norwegian financial services group. Page 16

Belgacom rings up a record
Belgacom, Belgium's state-owned telephone group, announced record annual profits, just weeks before the government is expected to announce its choice of foreign partner for the company. Page 16

US healthcare group issues warning
Humana, one of the biggest managed healthcare companies in the US, warned that its profits would not match expectations in the second quarter. Page 18

Chinese agency sells Hong Kong stake
An investment agency of the Chinese government has sold 61m shares in Hongkong Telecom, raising some HK$945.5m ($122m). Page 19

Indian investment bank shrugs off gloom
Although India's stock market is more than a third off its peak of September last year, the Industrial Development Bank of India, the country's leading financier of industrial projects, is not deterred from proceeding with a share issue. Page 19

Graham agrees £52m Erith bid
Graham Group was yesterday poised to become the UK's second largest builders' merchant by agreeing to acquire Erith in a deal worth about £51.6m ($81m). Page 20

FKI rights seeks £137m for expansion
FKI, the UK engineering group, has launched a £136.6m ($214.5m) rights issue to cut borrowings and fund acquisitions. Page 20

Elections put Istanbul on upward track
The victory of Turkey's prime minister in local elections 10 days ago, appears to have re-established the Istanbul market on the upward track.
Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko	840	+	15
Karstadt	596.7	+	10.2
Kaufhof	490.5	+	10.5
Springer Axel	765	+	20
Falls			
Goldschmidt	765	–	25
Zanders Feinpap	198	–	10
NEW YORK ($)			
Falls			
Cor Therapeutics	10½	–	8¾
Eaton	58⅞	–	1⅛
Honeywell	40⅜	–	1
Humana	19¾	–	3½
Rohm & Haas	51⅛	–	2⅛
Utd Healthcare	40	–	2⅝
LONDON (Pence)			
Rises			
Erith	105	+	28
Kleinwort Benson	724	+	23
Yorks-TyneT TV	486	+	19
Falls			
Bellway	217	–	11
Brit Thornton	30	–	6
Tadpole Tech	55	–	20
TORONTO (C$)			
Rises			
Sceptre Inv A	62	+	1
Softkey Soft	38	+	2½
Falls			
Diamond Fields	67½	–	2½
Loewen	47¼	–	1⅛
Magna A	54⅛	–	1
Potash	63⅜	–	1¼

PARIS (FFr)			
Rises			
Bouygues	595	+	15
UFB Locabail	405	+	11
Falls			
Air Liquide	763	–	15
Bancaire Cie	560	–	13
Danone	810	–	16
Fonc Lyonnaise	641	–	27
TOKYO (Yen)			
Rises			
Kyocera	6300	+	90
Nissan Motor	494	+	9
Sony	3840	+	40
Toyota Motor	1620	+	10
Falls			
Bk Of Tokyo	1440	–	10
Shiseido	974	–	22
HONG KONG (HK$)			
Rises			
Cable & Wire	51	+	1.7
Cheung Kong	38.8	+	1.7
HSBC	102.5	+	2.5
Hang Seng Bk	58.5	+	1.5
New World Dev	24.9	+	1.5
Sun Hung Kai	58	+	2.5
BANGKOK (Baht)			
Rises			
Bangkok First	288	+	22
Multi-Credit	226	+	14
Mutual Fund	680	+	20
Tisco	692	+	16
Falls			
Amer Standard	390	–	10
Thai President	232	–	12

New York & Toronto prices at 12.30.

Sprint may spin off cellular operations

Regulations force US company to look at offloading business in wake of winning auctions for PCS wireless licenses

By Maggie Urry in New York

Sprint, the US communications company, is considering spinning off or selling its conventional cellular business following its success in auctions for personal communications spectrum wireless licences in March.

Sprint Cellular is the eighth largest cellular company in the US with 1.2m customers. In the year to March 31, it had operating revenues of $762m and operating income of $104m, more than 200 per cent higher than in the previous year. The group has annual revenues of $12.6bn.

Mr William Esrey, chairman and chief executive, said the board was studying "various options as we seek the most effective marketing identity and technological infrastructure for our wireless business". He said the industry was forecast to triple or quadruple over the next decade.

In morning trading, Sprint shares rose $⅝ to $34¼.

In the March PCS auctions, Sprint Telecommunications Venture, a joint venture between Sprint and three cable TV groups: Tele-Communications, Comcast and Cox Communications, won licences taking its coverage to 182.4m people. However, its success means it is in breach of Federal Communications Commission regulations which stop PCS licence winners from owning large stakes in cellular services in the same area. Sprint has overlaps in four cities: Dallas, Texas; Des Moines, Iowa; Detroit, Michigan; and Philadelphia, Pennsylvania.

Under the FCC rules the winner of a PCS wireless licence cannot also own more than 20 per cent of a cellular provider serving more than 10 per cent of the population in the same area. Sprint is therefore required to reduce its stake in its cellular businesses in those four cities to under 20 per cent, or to cut the population it serves to under 10 per cent.

The minimum reduction would require a cut in its population of 1.7m, or if it sold out of these markets completely and made cuts in other overlap markets, it would reduce its population by 6m. However, Sprint is considering going further than the minimum required, and could either sell or exchange some of its cellular activities, sell the whole of Sprint Cellular, or demerge the business by giving shares to shareholders.

Sprint has appointed Dillon Read and Salomon Brothers, two investment banks, to advise on the options. It would assess each option for strategic implications, tax considerations and the effect on shareholder value. It would make a decision in a few weeks.

Richard Waters analyses the $6.5bn information services takeover

First Data forges pivotal link in electric pay chain

Ambition is a trait which Mr Henry "Ric" Duques, head of First Data, and Mr Patrick Thomas, his counterpart at First Financial Management, have in abundance.

Each man has built his company, through acquisition and internal growth, into a powerhouse in the US information services business – an industry which revolves around processing transactions for other companies and, increasingly, feeding them with information gleaned from the large databases and transaction volumes they handle.

Mr Thomas's ambition is summed up in a comment in his most recent annual report: "At the close of 1994, there were 5.6bn people in the world. There is no limit to [First Financial's] potential customer base."

Mr Thomas's plan to conquer the world looked to be drawing to a close this week. He has reached an agreement to sell First Financial to First Data in an all-share deal valued at $6.5bn (£4.1bn), the biggest takeover in the information services industry. Mr Thomas was shedding few tears at the prospect of giving up his company – the deal valued his stake at more than $90m.

It will leave Mr Duques in sole charge of a business which will rank among the top 75 US companies in terms of market capitalisation and which is growing fast around the world. Under his control, First Data is likely to turn more towards the industry that has been the engine of its growth: financial services.

Between them, the two companies boast an array of processing activities which, when combined, will create a company with an unmatched scale and breadth of product line. In a business where low unit costs are vital, that will make First Data one of the most powerful companies in the global consumer finance business, though its back-office role will make its presence invisible to most consumers.

It will control the flow of information between banks and other card issuers on the one hand and merchants on the other – a powerful position in the fast-expanding electronic payments business.

Credit and charge cards have been at the heart of both companies' growth.

In the US, First Data has become the biggest processor of credit card transactions for banks, handling 3.3bn transactions last year, while First Financial is the biggest in the business of merchant processing – authorising and settling card transactions for retailers, hotels, restaurants and others.

Elsewhere, First Data has become the UK's biggest bank card processor and is the largest electronic funds transfer handler in Australia. A second fast-growing area is money transmission. Through the acquisition last year of Western Union, which has 24,000 agents around the world, First Financial has become the biggest handler of money orders. Through Moneygram, a rival service sold through 17,000 agents, First Data is the second largest in this business.

Other financial services businesses handled by the two companies involve accounts for mutual fund companies and running collection services.

The combination of the two money order businesses could be just one of the areas that raises the concern of anti-trust regulators.

A year ago, when First Data bid for Western Union, the US's Federal Trade Commission said it would require it to shed one of the two agent networks. That concern is likely to resurface – plus concerns about an enlarged First Data's position in payment processing.

To distract attention from their dominant position in credit cards, the two companies this week pointed to the small proportion of payments that are made using plastic, and claimed their business was being invaded by new competitors.

However, the competition remains far behind. EDS, the information services arm of General Motors, handles the accounts of GM cardholders, estimated at about 10m. First Data, by comparison, added 22m new card accounts alone last year.

As more payments are handled by plastic, more purchases are shifting to consumers' living rooms, thanks to the growth of home shopping. That will leave First Data in a strong position for what Mr Duques calls the era of electronic commerce – though teething problems remain.

"At the moment, everyone is struggling with the problem of security," he says. "If you put your credit card on the Internet, it's in the public domain."

Bringing together the bank and merchant sides of the credit card processing business will put First Data in a central position in the payment chain, at the interface between banks, merchants and consumers. That raises an important question about how the company is positioning itself for the world of electronic commerce – and how its relationships with banks and other card companies will change.

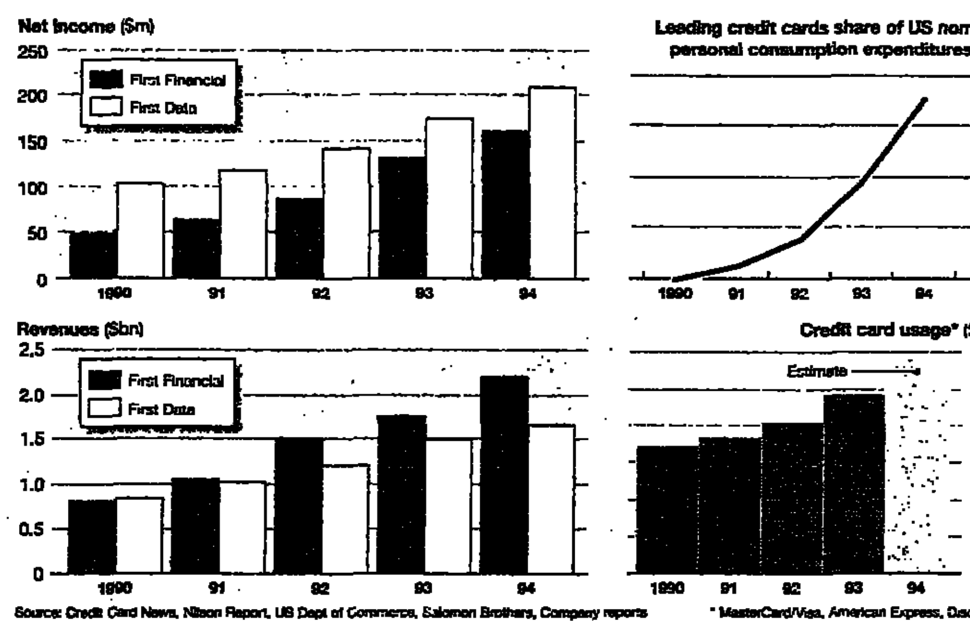
By linking the bank and merchant processing sides of the processing business, the company will be in a pivotal position between banks and customers such as retailers and hotels. That has already put First Data in an important position to help banks cross-sell other services to merchants, and to give merchants more information about their customers' spending patterns.

With its extensive transaction and customer information, it is also in a good position to help banks to analyse their own customers' behaviour or launch direct marketing campaigns.

Who, then, controls the customer relationship? According to Mr Duques, many banks do not want direct relationships with some retailers or airlines, and would rather deal through First Data.

Anyway, he adds, "the world is a huge place. It's a free country and people compete". But First Data, like First Financial, stressed its primary aim was to form alliances. "We don't own customers, we just provide services," says Mr Thomas.

What's on the cards



Source: Credit Card News, Nilson Report, US Dept of Commerce, Salomon Brothers, Company reports
* MasterCard/Visa, American Express, Discover

NYSE looks at non-US share trading service

By Norma Cohen, Investments Correspondent

The New York Stock Exchange is considering the creation of a "single point-of-purchase" facility for trading in the shares of non-US companies, enabling investors to bypass foreign exchanges and buy the ordinary shares of foreign companies in their home currency.

The facility would pose a competitive threat to London – the centre for international share trading – which last year announced its first formal marketing effort to persuade non-UK companies to seek a listing.

US investors have increased their holdings of foreign shares in recent years, and current expectations are that a further $300bn to $500bn could flow into non-US equities by the end of the decade.

"US investors want to own the share in the currency but with the transparency, cost, liquidity and depth of the US market," said Mr Dick Grasso, NYSE chairman.

Foreign equities are available in the US typically repackaged into depository shares which are paid for in US currency and have dividends converted into US currency.

However, Mr Grasso said these are less attractive than outright purchases of ordinary shares because investors bear the cost of the repackaging.

The increasing trend towards international diversification means that investors are more prepared to hold foreign-currency securities.

Mr Grasso said that the exchange is canvassing European and other foreign companies to gauge their willingness to seek a US listing. The NYSE has roughly 230 foreign companies and would need a "critical mass" of twice that in order for a full service to be established, he said. He said it could take two to three years to reach that critical mass.

The NYSE would not launch the service until it was clear that investor demand existed, added Mr Grasso.

The NYSE, beset by fierce competition for trading flow in its home market, has been emphasising its international strategy in recent years.

Industry estimates that as much as a third of all turnover in NYSE-listed stocks is conducted off-exchange and some of the NYSE's own members have emerged as its fiercest competitors. Several large brokerages have begun running their own "specialist" books, offering trading liquidity in NYSE-listed shares via lower cost regional US exchanges.

The NYSE has been marketing itself among Asian and Latin American companies and the number of non-US companies listed there has doubled in the past five years.

However, Mr Grasso conceded that foreign companies may be put off by US Securities and Exchange Commission rules requiring listed companies to prepare accounts which conform to US accounting principles. "Enthusiasm for listing is high but somewhat negated by the need to be registered by the SEC," he said. However, the SEC had indicated its willingness to be flexible in the application of some of its rules, he said.

Kay-Bee chief takes over at troubled UK retailing group

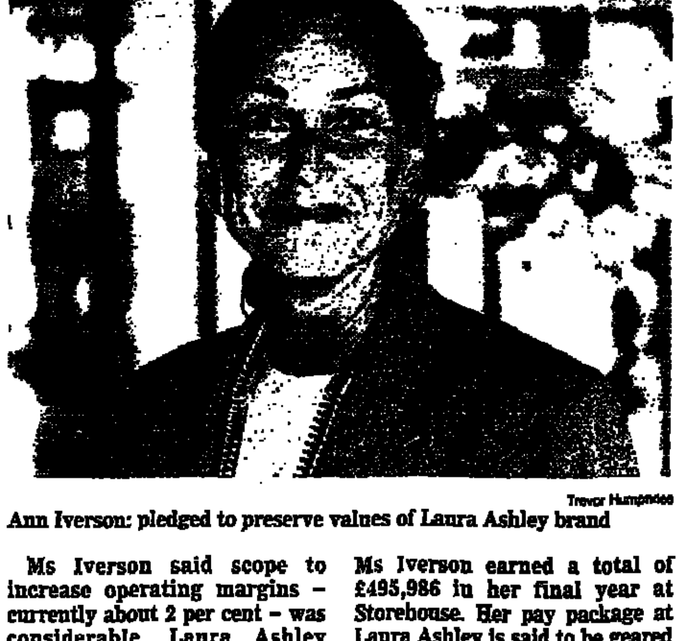
By Neil Buckley in London

Ms Ann Iverson, the American who helped to turn around both the BHS and Mothercare chains for Storehouse group, is returning to the UK to attempt the same feat as chief executive of Laura Ashley.

Ms Iverson left Mothercare last year to be chief executive of Kay-Bee, a 1,200-store toy chain with $1bn turnover and a main division of Melville, a large US diversified retailer.

Her arrival at Laura Ashley next month will fill the gap left by Mr Jim Maxmin, the former chief executive who left 14 months ago with a £1.2m ($1.9bn) pay-off.

It is the second time the quintessentially English clothing and furnishings group has appointed an American chief executive, but Ms Iverson pledged to preserve the values of the Laura Ashley brand while exploiting its potential. "What [the brand] represents and always has done is the mood and emotion, and countryside feeling that Laura put into it," she said yesterday.



Trevor Humphries
Ann Iverson: pledged to preserve values of Laura Ashley brand

Ms Iverson said scope to increase operating margins – currently about 2 per cent – was considerable. Laura Ashley reported pre-tax losses of £30.6m after £34m restructuring costs last year.

Ms Iverson earned a total of £495,986 in her final year at Storehouse. Her pay package at Laura Ashley is said to be geared to achievement of targets over three-five years.
Lex, Page 14

Sparebanken Nor launches rival bid for Norgeskreditt

By Karen Fossli in Oslo

Sparebanken Nor, Norway's biggest savings bank, yesterday launched a rival bid for Norgeskreditt Holding, the emerging Norwegian financial services group.

The move, at the request of Norgeskreditt, comes two days after a lower offer from Christiania Bank, Norway's second biggest bank.

Sparebanken Nor, known internationally as Union Bank of Norway, has offered NKr220 per preference share, valuing Norgeskreditt – which has assets of NKr30bn – at more than NKr2.5bn ($400m).

On Monday, Christiania bid NKr200 per preference share, equivalent to about NKr2.3bn.

Sparebanken Nor said it made the offer at the request of Norgeskreditt which has rejected Christiania's preliminary approaches on the grounds of price and its plans for the company.

Norgeskreditt, whose main activity is mortgage lending, yesterday sent a letter to shareholders advising that the offer from Sparebanken Nor appeared to be better on "all main points", but said the board would evaluate both bids.

It advised shareholders to wait before deciding on the two offers until June 21 when details of the board's assessment would be disclosed.

Norgeskreditt closed NKr21 higher at NKr221 yesterday, while Christiania fell NKr0.10 to NKr13.10.

The contest between Sparebanken Nor and Christiania comes amid a separate takeover battle in the country's financial sector.

The ownership of Vital Forsikring, Norway's biggest life and pension group, is being fought between Aegon, the large Dutch insurance group, and Den norske Bank, Norway's biggest commercial bank.

Aegon last month bid NKr103 a share for Vital but DnB countered with a higher bid of NKr110.

Belgacom posts record earnings

By Emma Tucker in Brussels

Belgacom, Belgium's state-owned telephone group, yesterday announced record profits for 1994, just weeks before the government is expected to announce its choice of foreign partner for the company.

Mr John Goossens, chief executive, said net profits were BFr9.7bn ($336m) last year, up marginally on 1993's figures, and turnover had risen to BFr117bn from BFr110.9bn in 1993.

The figures were more important than usual because the Belgian government aims to sell a 25 per cent stake in Belgacom – which has been valued by the government at BFr160bn – before the end of the year.

A shortlist of five leading contenders has been drawn up for what will amount to Europe's biggest, and western Europe's first, telecoms acquisition target.

The interested companies are British Telecommunications, in discussion with Bell Atlantic of the US; Koninklijke PTT Nederland; Ameritech of the US; and Stet, the Italian state telecoms company.

Investments by Belgacom, one of the biggest investors in Belgium, amounted to BFr33bn in 1994, a drop on 1993 when the company acquired the Belgacom Towers building in Brussels.

Last year's investments were concentrated on the digitalisation of the network and other modernisations.

Pre-tax profits fell to BFr10bn from BFr12.2bn in 1993.

Mr Goossens said that in spite of mounting competition, he expected a rise in Belgacom's turnover this year but acknowledged the company would face a challenge once the telecoms sector was liberalised across the EU in 1998.

VW issues warning on demand

By Michael Lindemann

Demand for Volkswagen's cars was likely to remain hesitant for the rest of this year and not pick up until 1996, Mr Ferdinand Piëch, the group's chief executive, warned yesterday.

Mr Piëch said the new model of the Polo was expected to be the driving force behind higher sales.

His comments were underscored by Mr Klaus Volkert, head of VW's workers' council, who said that in spite of earlier predictions of stronger demand, the economic recovery in Europe and North America had not yet translated into higher unit sales.

"The short-lived bush fire has been put out and all that is left is a battle for prices and market share of the sort that we have never seen before in Germany," Mr Volkert said.

He added that it was "absolutely necessary" to make new investments at the Wolfsburg plant in northern Germany and that "production had to be made more flexible" to raise output.

As part of the effort to increase production at Wolfsburg, VW's biggest plant, Mr Piëch said about 5,000 extra workers would produce an extra 600 cars per day during the plant's holidays.

● Volkswagen Bratislava said its 1994 sales reached DM200m ($142m) and that it expected them to increase to DM700m this year.

The VW offshoot said it planned to begin production of 30,000 cars a year in 1996.

VW is planning 1995 investment in the unit of DM36m.

Its 1992 to 1994 investment totalled DM130m.

KHD parts company with chief

By Michael Lindemann in Bonn

Klöckner-Humboldt-Deutz (KHD), the troubled German engine maker, yesterday parted company with Mr Werner Kirchgässer, its chief executive. He was replaced by Mr Anton Schneider, who was until recently a member of the management board at Bremer Vulkan, Germany's biggest shipbuilding group.

Mr Kirchgässer, 57, became KHD's chief executive in 1991 but is believed to have had disagreements with Mr Michael Endres, the Deutsche Bank director who chairs KHD's supervisory board, a non-executive group which oversees the company's management.

Mr Kirchgässer had been with KHD for 26 years and was due to remain chief executive until mid-1996. The company said he would remain as an adviser.

Mr Schneider, 43, said he would "concentrate especially on improving [the company's] operating performance through internal measures", according to a statement issued by KHD.

"The priority will be to expand relations with clients, further improve manufacturing processes and cost structures and above all increase the motivation and creativity of the employees," Mr Schneider added.

Mr Kirchgässer's departure, by mutual agreement, comes just months after KHD was rescued from bankruptcy with an emergency package worth DM919m ($656m), over half of which came from Deutsche Bank, the company's biggest shareholder. The company said in May it expected to lose DM308m this year and not break even until 1997.

The difficulties at one of Germany's best-known engine makers stem from the late 1980s, but the company's near collapse in January is believed to have sealed Mr Kirchgässer's fortunes.

Until this March, Mr Schneider had been responsible for the engineering and plant divisions at Bremer Vulkan.

Portugal to privatise Tabaqueira

By Peter Wise in Lisbon

The Portuguese government is to privatise Tabaqueira, a tobacco company with annual sales of Es175bn ($1.2bn), by selling 80 per cent to a single buyer and the remainder to employees and small savers.

The sale is expected in August.

The government said yesterday that 80 per cent of the company, the only cigarette producer in mainland Portugal, would be sold by auction to the highest bidder.

No discrimination would be made between foreign and Portuguese bidders.

The purchaser will be required to retain at least 51 per cent of the company for five years and to buy any shares left over from the subsequent sale of the remainder at a discount to workers, emigrants and small investors.

Three initial appraisals of Tabaqueira, carried out separately by Banco Português de Investimento, Banco Essi and Banco de Fomento e Exterior, indicated a value of about Es40bn, according to the government. A definitive evaluation has yet to be concluded.

Analysts said Tabaqueira is estimated to account for about 80 per cent of tobacco sales in Portugal. The only other Portuguese cigarette manufacturers produce for the islands of Madeira and the Azores.

Net profit fell 33.6 per cent to Es2.3bn in 1994 from 1993, and sales declined 3.9 per cent to Es175bn. Cash flow dropped 43.2 per cent to Es3.5bn.

Tobacco is an important source of tax revenue in Portugal.

Mr Jorge de Mello, a former owner of Tabaqueira before it was nationalised following Portugal's 1974 revolution, is among candidates expected to bid for the company.

Mr Horácio Roque, a shareholder of the Madeira tobacco company Madeirense de Tabacos, has also declared an interest.

Bid battle opens doors in Switzerland

The takeover battle for Holvis, the Swiss non-woven fabrics and paper distribution group, has signalled a further step forward in opening the Swiss equity market.

The battle was won this week by BBA Group of the UK when International Paper of the US withdrew its attempts to counter BBA's SFr500 ($432) a share bid.

"It is the first time we have ever seen directors fight for a higher bid for their shareholders," said Mr Hans Kaufmann, head of Swiss equity research at Bank Julius Baer in Zurich.

From the moment in April when IP launched its SFr435 a share bid, the Holvis board recognised that the group was bound to lose its independence. So, it decided to concentrate instead on getting the highest price for all shareholders.

The board looked as if it might be stymied when IP found a strategy for driving out its first competitive suitor, InterTech, the US non-wovens group. However, at the eleventh hour BBA appeared.

The board then had to decide whether to agree to BBA's conditions, in particular a "knock-out" contract under which Holvis would immediately sell its non-wovens division to BBA if a higher bid for the whole group materialised.

IP claimed the contract was illegal, but a Swiss court upheld it on the grounds that it was the only way the Holvis board could get a higher offer for its shareholders.

All this is a long way from the traditional Swiss practice in takeover deals. Typically, directors passively agreed to public holders being offered less for their shares than controlling shareholders.

However, most leading Swiss companies have made considerable progress in recognising shareholder interests. Many have reduced restrictions on voting rights and improved disclosure, accepting the Anglo-Saxon rationale that the best defence against a takeover is a share price that is based on accurate information.

Ironically, Holvis would seem to disprove that rule and may discourage some Swiss companies from further liberalisation moves.

Three years ago, Holvis was the first widely-held Swiss company to eliminate all voting restrictions on its shares and has won awards for the high level of disclosure in its reports. Yet its reward was a depressed share price and to be taken over.

Analysts say it was a special case, with increasing disclosure merely showing that the directors were not sorting out the group's problems.

Many Swiss companies claim they are maintaining voting restrictions as a protection against surprise takeover bids. Switzerland has no law obliging big shareholders to disclose their holdings, except for once a year in the annual report.

However, next year a new stock exchange law complete with a takeover code comes into effect. A few companies have indicated they will remove their voting restrictions once they see whether the new code forces big buyers to reveal stakes immediately.

The code permits companies to opt out of its provisions, but Swiss analysts doubt that many will do so. "The market will punish companies with restrictions, so it will become more expensive for them to raise capital," Mr Kaufmann says.

Another liberalising step could come later this month with a referendum on amendments to property laws. If approved, it would ease restrictions on foreign ownership of property in Switzerland.

Companies with substantial real estate assets would therefore be less nervous about registering foreign shareholders.

Ian Rodger

Petro-Canada sale near

By Robert Gibbens in Montreal

Conditions are improving for the privatisation of the federal government's 70 per cent of Petro-Canada, the country's second biggest integrated oil company. The government hopes to raise about C$2.2bn (US$1.6bn).

The government has said no decision would be made until later this month. However, the company is pushing for a quick sale and road shows have been held in Toronto, Boston and New York. Twenty US, Canadian and European investment funds have met the finance department and want to move the issue soon, if only to avoid a clash with the privatisation of Canadian National Railways in the autumn.

Petro-Canada stock has firmed to C$13, but is still far below the price-earnings ratio enjoyed by Imperial Oil, its bigger rival.

However, Canadian stock markets are now catching up with Wall Street after three weeks of declining short-term interest rates.

Bankers Trust re-rated

By Richard Waters in New York

Bankers Trust, the US bank which has been battered by trading losses and lawsuits over its derivatives operations, was further hit yesterday as its credit rating was cut by Moody's Investors Service.

The US rating agency, in cutting the bank's senior debt rating from A1 to A2, said the action was prompted by concerns about Bankers Trust's reliance on two main businesses, derivatives and trading. Moody's said the derivatives activities were likely to be hampered by a fall in demand for the sort of complex and high-margin products in which the bank specialised.

It also warned that technological change and consolidation in transaction processing businesses would "challenge" the bank's ability to remain a competitive force in these businesses.

Bankers Trust called the Moody's action "unwarranted" and pointed out that it expected a second-quarter profit.

Rautaruukki ahead 70% in first term and is upbeat

By Christopher Brown-Humes in Stockholm

Rautaruukki of Finland, the Nordic region's second-largest steel producer, painted a bright picture of its prospects yesterday after reporting a 70 per cent jump in four-month pre-tax profits to FM370m ($86m).

It said strong west European steel markets and higher prices would ensure a "considerable" improvement in its full-year result after last year's FM440m profit. Turnover would rise to FM9.4bn from FM8.3bn.

Last week the group announced a FM1.8bn investment programme expected to increase steel output to 2.8m tonnes a year from 2.3m tonnes over five years without damaging the balance sheet.

The figures, which are much better than expected, follow profits of FM217m in the first four months of 1994.

Rautaruukki said economic recovery had boosted investment and increased steel demand while west European prices were 10 per cent to 15 per cent higher than a year ago. However, the strong markka meant average Finnish currency prices were only 6 per cent higher.

Turnover rose to FM2.9bn from FM2.6bn in the four months, with higher volumes and firmer prices accounting equally for the 12 per cent increase.

Operating profits surged to FM508m from FM288mm and the operating margin rose to 17.4 per cent from 11.1 per cent. However, losses rose in the group's engineering division, increasing the uncertainty over the future of its Transtech rolling stock operation.

The group said west European steel demand was expected to remain good and "prices should rise". But it noted there would be a hiccup in its performance in the second four months, because of maintenance work, before profits resumed their upward path.

It estimated its year-end equity-to-assets ratio between 36 per cent and 38 per cent, against 31.6 per cent last year.

Renault in co-operation deal with German gearbox maker

By Haig Simonian, Motor Industry Correspondent

Renault VI, the trucks and buses division of the French motor group, has signed a letter of intent to co-operate on medium duty gearboxes with ZF, the German gearbox specialist.

Renault will buy models from ZF's nine and 16-speed Ecomid transmission range, while the German company will purchase gears and shafts from Renault VI.

The deal has been struck because demand for such products, which are designed for trucks in the 25 to 35 tonne range, is relatively limited and manufacturers are keen to seek economies of scale.

Moreover, ZF's gearboxes offer some technical benefits and are lighter than their Renault equivalents, which are better suited to heavier vehicles.

Renault VI gave no indication of the number of units involved, or the value of the deal. However, it said the two manufacturers hoped to reach final decisions on the extent of their co-operation soon.

The agreement comes hard on the heels of a memorandum of understanding this month between Renault VI and MAN of Germany to study the development and manufacture of components.

A number of leading truck makers have been trying to establish co-operation deals to reduce development expenditure and split production costs.

Renault VI has been particularly active in this respect after merger plans with Volvo of Sweden fell through at the end of 1993.

The company already has an arrangement with Iveco, owned by Italy's Fiat, to work together on truck cabs, and is now undertaking a number of studies to find ways of co-operating more closely with Mack, its US subsidiary, on big truck engines.

IBM and Europay collaborate

By Richard Wolffe

International Business Machines yesterday linked with Europay, the international payment card organisation, to develop a fraud-free shopping service over the Internet.

The joint initiative aims to design a secure payment system based on smart cards – plastic cards which carry a computer chip. Shoppers would be able to use Europay cards to purchase goods and services over the international electronic network using a card reader attached to a personal computer, telephone or television.

Mr Ron Williams, chief executive of Europay, said: "We plan to unleash huge demand for electronic commerce that capitalises on the revolutionary potential of digital technology.

"There is the potential to attract tens of millions of consumers and process billions of transactions by linking the highest standards of payment security and fraud protection offered by chip cards with Europay brands and IBM's open payment protocol."

The smart card approach is an attempt to solve the problem of smaller payments over the Internet, which are costly to process. Europay's system, which is expected to be piloted early next year, is designed to be used with its "electronic purse" – a card which stores cash value.

However shoppers will also be able to use Europay's debit and credit cards from 1997 when the traditional cards sporting magnetic stripes are replaced with smart cards.

IBM's alliance with Europay, whose brands include MasterCard in Europe, is one of three separate systems being developed to allow secure card transactions on the Internet. MasterCard is working with Netscape Communications to develop a secure payment system in the US, which is likely to be ready in pilot form this autumn. Meanwhile, Microsoft and Visa International are working on their own system based around Visa's plastic cards.

Security concerns are being eased as software packages are designed to encrypt card details before transmission over the Internet.

Data storage supplier diversifies

By Louise Kehoe in San Francisco

EMC, the leading supplier of data storage systems used with mainframe computers, has entered the "open systems" market and formed marketing alliances with three of the top database software companies.

Building on its success with mainframes – EMC has stolen IBM's market leadership in data storage systems – the company aims to move into systems for use with computers running the Unix operating system, such as those supplied by Hewlett-Packard, Digital Equipment and Sun Microsystems.

EMC pioneered the use of Redundant Array of Inexpensive Disks (Raid) technology, in which a large number of standard disk drives, much like those used in personal computers, are linked to create a large capacity data storage system.

Raid systems are rapidly displacing traditional data storage systems from suppliers such as IBM and Hitachi. EMC will this year achieve a 38 per cent share of the world market for data storage systems, measured in gigabytes of storage capacity, according to IDC, the market research group.

IBM will slip behind EMC to 35 per cent, down from a 76 per cent share in 1990, market analysts say. However, IBM and other traditional data storage systems builders have responded with their own versions of Raid systems.

Rebels win the day at Suez annual meeting

By Andrew Jack in Paris

The Maison de la Chimie in central Paris was an appropriate location yesterday for an unusually explosive annual meeting of Suez, the flagship French industrial and financial holding company.

The hall that served in late April as the location for the surprise first-round victory celebrations of Mr Lionel Jospin, the French socialist party presidential candidate, was equally appropriate for the outspoken rebellions by leading shareholder groups.

It was Mr Jacques Friedmann, chairman of Union des Assurances de Paris, the French insurer which is Suez's largest shareholder at 6.9 per cent, who was the first to rise when Mr Gérard Worms, Suez chairman, opened the meeting to the floor.

Mr Friedmann, who had already given an outspoken interview in the Tribune business newspaper on Tuesday, showed no signs of relenting even in front of such a public – and not entirely friendly – gathering.

He expressed his "disapproval" that the management of Suez had been holding discussions about an investment in Pinault Printemps Redoute, the French retail giant, without raising the matter with the board, on which he sits.

He was swiftly followed by Mr Philippe Jaffré, chairman of Elf Aquitaine, which holds 5.6 per cent of Suez's shares, who said the group was lacking a clear strategy. Mr Jean-Louis Beffa, chairman of Saint Gobain, which controls 5.8 per cent, quickly followed.

Signs that trouble was brewing were evident from the start. The hundreds of shareholders gathered in the main hall, its balcony, an overflow room and the corridors outside, jeered when told the board was still meeting, 20 minutes after the assembly was due to begin.

Mr Worms offered his "infinite pardons" for the delay.

But the extra time had clearly not been spent enjoying a lengthy lunch.

The three leading and maverick shareholders called for an amendment to one of the Suez resolutions, without which they would vote against. Mr Worms, quickly endorsed the change in spite of considerable heckling from other shareholders.

The amendment to resolution 10 proposed by Mr Friedmann limited the management's discretion to issue new shares which could be used for a public exchange of shares - something which might be used for an investment or cross-shareholding in Pinault Printemps Redoute.

While Mr Friedmann argues that a link with Pinault is not a logical strategic development for Suez, others see his move as an attempt to push his own alternative plan for a large financial conglomerate involving UAP, Suez and Banque Nationale de Paris, which holds a 5 per cent stake in Suez.

But with a vote of 83 per cent in favour of his amended resolution, he won yesterday's battle.

Humana issues profits warning

By Richard Waters in New York

Humana, one of the biggest managed healthcare companies in the US, warned that its profits would not match market expectations in the second quarter, setting off the second stock-market rout to hit the sector in less than two months.

The Kentucky-based company, which provides services through health maintenance organisations (HMOs) in 14 states, said its earnings growth would be hampered by rising medical costs.

The warning brought an abrupt end to the recovery in HMO stocks that had been under way since mid-April.

The resurgence came after managed care groups were affected by news that United Healthcare, the market leader, planned to reduce its premium rates in a battle for market share.

HMO groups have made substantial inroads into the business of traditional health insurers by providing healthcare coverage for a lower fixed cost and then signing up chains of hospitals and doctors to provide care more cheaply.

With rapid increases in membership and falling medical costs, profit growth in the sector has been rapid.

Now, though, the bigger HMOs are being forced to fight harder for new members. Also, the costs of providing healthcare services have risen, in part because members signed up in previous years are beginning to make greater use of medical services.

Yesterday, Humana said it expected to earn between 29 cents and 31 cents a share in the three months to the end of June.

Though higher than the 23 cents of a year ago, this prediction is still below the 33 cents a share expected by analysts, the company said. Humana blamed the shortfall on higher medical costs, caused by its members' increased use of medical services.

Like a number of other managed care companies, Humana has come under scrutiny in recent months over allegations that it has resisted paying the medical bills of some members in an attempt to hold down medical spending.

The company's warning yesterday echoed other recent signs of higher medical costs incurred by the industry. US Healthcare, for instance, pointed to a greater use of medical specialists as a major reason for a slowdown in its earnings growth to 6 per cent in the first three months of this year.

Humana's shares tumbled 14 per cent, to $19⅝, yesterday morning. Others to be affected by the news included United Healthcare and US Healthcare, both of which were down 5 per cent.

See world stock markets

Ford finds a stretch of open road

The rising yen and a return to large vehicles does not mean Japan can be written off, says Richard Waters

In the leafy suburb of Glenview, Illinois, the light trucks are moving fast off the forecourt of Joe Bredeman's Ford dealership. The sleek Windstars and chunky Explorers are among the hottest-selling new vehicles in this prosperous suburb to the north of Chicago.

Americans are buying bigger vehicles – and many are turning back to Ford, a decade or more after abandoning US cars for smaller, more reliable and often cheaper Japanese products. A new range of vehicles and the surging yen have swung things back in the US automaker's favour.

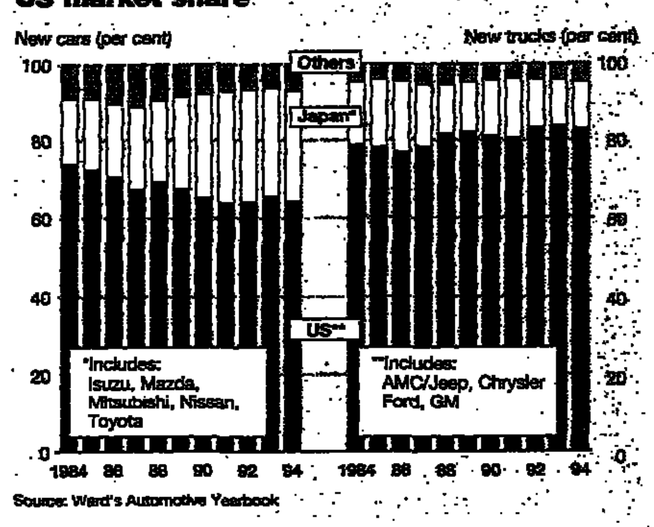
The Windstar and Explorer, along with its big-selling pick-ups, helped Ford report higher profits than any other US company last year. At $5.3bn after tax, its earnings topped even those of Exxon ($5.1bn) and General Electric ($4.7bn.)

Yet, for a company with the wind at its back, Ford is not having things all its own way. Japanese manufacturers, though hampered by the sharp shift in the dollar/yen exchange rate, have clung to and even increased their share of the US new vehicle market. And, while less of a threat than at any time for years, the Japanese – in particular Toyota – are not being written off.

"It would be premature and inappropriate to count the Japanese out," says Mr David McCammon, Ford's chief financial officer. They have, he says, shown they can be competitive over time, having adjusted to a rise in the yen from 240 to the dollar as recently as 1984.

The sliding dollar has already prompted a big shift in the competitive position of US car and light truck markets. Over the past 10 years, the base price of Japanese vehicles has risen by an average of 5 per cent a year, twice the level of the price increases at Ford, says Mr McCammon. The result has been a steadily growing disparity in price which has left Japanese vehicles $2,000 to $3,000 more expensive on average.

US market share



Source: Ward's Automotive Yearbook

In spite of this, Japanese vehicles made up 28.5 per cent of total sales in the first three months of this year, up from 27.1 per cent in the same period in 1994. Detroit is finding that it takes time to win back the loyalty of customers lost through shoddy production and poor styling in the late 1970s and early 1980s.

"Consumers have been slow to realise that there is a price and product advantage in American products," says Mr McCammon.

Japanese manufacturers have held on to their market share in part by not attempting to pass on to American consumers the full effects of the recent rapid rise in the yen. According to Ford, Japanese car prices would have to rise a further 20 to 30 per cent to reflect the most recent two-year depreciation of the dollar.

While absorbing the pain, meanwhile, the Japanese makers have already shifted a larger share of their production to the US to put their costs on a more equal footing. At the start of the decade, only three out of every 10 Japanese cars sold in the US were made in the so-called "transplant" factories there. By last year, that had risen to five out of 10. With no end in sight to the dollar's slide, that figure is set to go much higher.

Even without fierce competition from the Japanese, Ford – like other US manufacturers – has found some parts of the US new vehicle market much tougher this year. Sales of light trucks (mini-vans, pick-up trucks and sport-utility vehicles) may continue to rise – but car sales, which make up about 60 per cent of the total market, have been falling in recent months. Price increases are looking less likely as a result, while the level of incentives needed to shift vehicles has been rising steadily.

Consumers are "just not buying cars", says one salesman at Bredeman Ford in Glenview. Like other Ford dealerships, Bredeman is finding it particularly tough to shift the Contour/Mystique, the much-vaunted "world car" that cost Ford $6bn to develop: sales have been lacklustre.

With a new model of the Taurus, Ford's biggest-selling car, due to be launched this summer, there was talk early this year of raising prices by as much as 7 per cent. But the weakening car market has made such an increase look more and more unlikely.

Meanwhile, Ford is trying to take the competitive advantage conferred on it by the stronger yen into overseas markets – including Japan itself. The US's second-biggest automaker more than doubled its sales in Japan last year – though at 15,000 vehicles, and with only a handful of dealerships, its presence in the world's second-biggest auto market remains tiny.

"It's important to compete where some of your strong competitors are, and not let them have the market to themselves," says Mr McCammon. Ford 2000, the name given to a recently launched corporate reorganisation, "is all about competing globally", he says.

Ford refuses to reveal its projections for the dollar/yen exchange rate. However, Mr McCammon says: "I think over time the yen will continue to strengthen just as it has done." Japan's "huge trade surplus" will continue to propel the currency, he adds.

With a continuing rise in the yen, could Japanese car makers hope to compete as aggressively again? "It may take them a few years, but we are assuming they will achieve that goal," says Mr McCammon.

Heart drug setback for Cor Therapeutics

By Daniel Green

Cor Therapeutics, one of the US biotechnology companies tipped to make a breakthrough this year, suffered a setback yesterday when it revealed that its heart drug had failed to show statistically significant effectiveness in clinical trials.

Cor shares fell $8⅝ in early trading in New York to $10⅛.

The drug, Integrilin, was intended for use with patients undergoing coronary angioplasty, in which a balloon is used to widen a partially-blocked blood vessel.

Angioplasty is safer and cheaper than open heart surgery but its beneficial effects are more short-lived, a problem which Integrilin was intended to cure.

California-based Cor held out some hope of further progress with the drug, saying the trial data was complex and "the implications of the trial in terms of regulatory approval cannot be readily determined." Integrilin's failure comes less than a week after the success of a another drug from a similar-sized biotechnology company, Cephalon.

Trial results for Cephalon's Myotrophin, which treats Lou Gehrig's disease, a nervous system illness, led to sharp share price rises for the company and the drug's contract manufacturer, Chiron.

Both sets of results came after the "Phase III" trials, usually the last before a drug is submitted to regulatory authorities for approval.

NEWS DIGEST

Storli's profits undermined by exchange rate

Norway's Storli, one of the world's largest chemical tanker operators, more than doubled four-month operating profits, to NKr127.4m ($20.4m) from NKr60.7m a year ago. It benefitted from a 25 per cent rise in time-charter freight rates, writes Karen Fossli in Oslo.

Freight income on a time-charter basis rose to NKr688.50m from NKr570.02m last year, but pre-tax profits slipped to NKr45.74m from NKr66.07m.

Pre-tax profits were undermined by an average krone/dollar exchange rate in the period of NKr6.45, some 13 per cent below last year's rate.

Meanwhile, Wilhelm Wilhelmsen, a large Norwegian shipping group, plunged into a four-month pre-tax loss of NKr3m from a profit of NKr321m. Last year's result included a NKr180m extraordinary gain from the disposal of the group's shareholding in a drilling rig.

Operating profits were cut to NKr72m from NKr96m as currency losses reached NKr41m against gains of NKr71m last year. Financial charges against accounts rose to NKr34m from NKr26m.

Wilhelmsen warned that developments in the tanker and currency markets created uncertainty over results for the remainder of the year.

Canadian Distillers wins right to advertise on TV

Canadian Distillers has won the right to advertise on television after a five-year court battle, writes Robert Gibbens in Montreal.

The federal court in Ottawa overturned a section of the Television Broadcasting Regulations prohibiting spirits advertising, saying it violated the distiller's freedom of expression under the Charter of Rights.

Governments and regulatory bodies must recognise that spirits should be treated in the same way as beer and wine, which can be advertised on TV, said Mr Richard Fitzgerald, president of United Distillers and chairman of the Association of Canadian Distillers.

The distillers say they will now concentrate on the issue of unfair taxation. They blame high taxes for the "black market" that accounts for almost half the spirits consumed in eastern Canada.

Imetal plans heavy investment programme

This year should prove a record one for industrial investments, Mr Rene Mitieus, chairman of Imetal, the French building and industrial minerals group, told the annual shareholders' meeting yesterday, Reuter reports from Paris.

"Industrial investments should rise sharply, to FFr600m-FFr650m ($121.4m-$131.5m) in 1995 from FFr441m in 1994," he said. He added that the main developments would involve construction materials, kaolin, structural tubings and bimetallic products sectors.

He also disclosed that Imetal was reviewing "several external growth opportunities", and that construction materials was as a sector where the group was seeking investment opportunities abroad.

Mr Mitieus disclosed that consolidated turnover in the first five months of 1995 grew 8 per cent compared with the same period in 1994. On a comparable basis, and using constant exchange rates, turnover climbed 11 per cent.

Earnings from the construction materials business were expected to improve further this year as a result of higher sales volume and a recovery in the loss-making tiles and slates units.

Mitieus predicted that the tiles business would break even this year, while slates would start improving by the end of 1995. Slates, however, would still incur a loss of FFr12m in 1995, unchanged from the previous year.

Operating profit at the construction materials division rose 27 per cent to FFr274m, while turnover grew 13 per cent to FFr3.26bn in 1994.

The performance of the industrial minerals sector should be "very satisfactory" in 1995, benefiting from higher sales volume and prices. He warned, however, that a weak dollar may hurt US sales denominated in francs.

The sector saw a 13 per cent rise in operating profit, to FFr295m, and a 9 per cent increase in turnover to FFr1.83bn.

Boral to pay A$40m for US brick maker

Boral, the Australian building materials and energy group, is buying Isenhour Brick & Tile, a North Carolina brick manufacturer, for around A$40m (US$28.8m), writes Nikki Tait.

The US company, described as one of the largest brick companies in the state, has two plants and a total production capacity of about 140m bricks. Annual sales are around US$23m.

Boral, which currently has no manufacturing operations in North Carolina, will issue approximately 12m shares to the vendors in consideration.

Australian state bank ready for possible float

The Bank of Western Australia – better known now as BankWest – said yesterday it was appointing County NatWest, Hartley Poynton and Porter Western as joint lead managers for its possible stock market flotation, writes Nikki Tait. The last two are Perth-based stockbroking firms.

The Western Australian government has yet to decide on whether to privatise BankWest via a stock market float, or through a trade sale. However, the bank said yesterday the lead managers' appointment meant that float preparation could move "to an advanced stage, so that the government can make an informed choice about the merit of a float relative to a sale by tender".

The potential proceeds from the BankWest sale have been estimated at around A$750m-plus.

Cement group upbeat

Associated Cement Companies, India's largest cement maker, said production in the first two months of fiscal 1995-96 was up 20 per cent on the year-ago period, Reuter reports from Bombay. At yesterday's annual meeting, the company reported a net profit of Rs1.44bn ($45.9m) for fiscal 1994-95.

Mitsubishi Bank unveils loan fall

By Emiko Terazono in Tokyo

Mitsubishi Bank yesterday revealed that its restructured loans, or loans whose interest rates have been cut due to the borrowers' financial problems, declined during the year to March.

Mitsubishi is the only Japanese bank to release annual earnings figures under US disclosure rules, because of its listing on the New York Stock Exchange. It said yesterday its consolidated restructured loans, a figure which all Japanese banks will be required to start reporting next year, fell 7.3 per cent from the previous year, to Y495.4bn ($5.9bn). The bank also said its group non-performing loans at the end of March rose 2 per cent to Y627.3bn.

Mitsubishi, which in March announced plans to merge with Bank of Tokyo to create the world's biggest bank, announced its parent earnings results based on Japanese accounting rules last month. These indicated that bad-loan figures had declined 5.2 per cent to Y526.4bn.

While the level of Mitsubishi's problem and restructured loans are regarded as relatively small compared with the country's other leading commercial banks, its earnings figures under US accounting guidelines are seen as a better indication of of the health of the Japanese banking industry, as Japanese disclosure rules are less strict.

The report under US rules showed that the bank's domestic non-performing loans rose 7.7 per cent to Y564.9bn, while overseas bad loans fell 31 per cent to Y62.4bn. Restructured loans to domestic companies fell 6.9 per cent to Y487.4bn, while overseas restructured loans fell 24.8 per cent to Y7.9bn.

Group pre-tax profits for the year to March fell 25 per cent to Y55bn, on a 4.5 per cent decline in operating revenue to Y2,190.2bn. Net profits fell 7.7 per cent to Y35.5bn. Net unrealised gains on investment securities totaled Y351.3bn, compared with the Y818.9bn posted by the parent.

For the full year to next March, the bank expects consolidated pre-tax profits to fall 28.7 per cent to Y45bn, on a 0.7 per cent rise in operating revenue to Y2,872.1bn.

The Bank of Japan, meanwhile, yesterday released its survey of restructured loans for the overall industry. At the end of of March, restructured loans of 150 banks totalled Y7,816.7bn, up 12.5 per cent from a year before. The release follows recent estimates by the Ministry of Finance that restructured loans extended by the country's leading 21 banks totalled more than Y10,000bn at the end of March.

IDBI undaunted by market frailty

The financier is ready to launch its record issue, writes Mark Nicholson

India's stock markets might have been in better health to welcome the country's record public share issue, the Rs21.8bn ($694.4m) offer from the Industrial Development Bank of India. The market is more than a third off its peak of September last year, gasping for liquidity, overhung by a glut of new primary issues, beset by a wave of institutional selling and apparently bereft of all but fitful buying support.

None of this, however, has deterred IDBI, the country's leading financier of industrial projects, from proceeding with the offer, which opens for seven days on July 5. "Is the timing right? Well, we need the funds," says Mr S. H. Khan, IDBI's chairman and managing director. "I'm not sure how long these market conditions will last – but from all indications the market is not going to improve quickly."

IDBI needs the funds because the government's economic reforms of 1991 have gradually eroded the concessionary state support which it has enjoyed since its foundation in 1964. State-owned institutions must now, wherever possible, stand on their own financial feet. And, for the past three years, the bank has largely managed, meeting 60 per cent of last year's funding requirements from internal accruals and the remainder from local and foreign borrowing.

But, with an eye on playing a central role in financing India's giant infrastructural needs, notably in the power sector, Mr Khan said the bank had no choice but to tap the equity markets.

The government itself paved the way last October by permitting the institution to float up to 49 per cent of its stock. The government will also pad its own coffers by selling an additional 2 per cent of IDBI stock on its own account, concurrent with the IDBI issue, taking its post-sale holding to 72.7 per cent.

IDBI's offering will, says Mr Khan, "see us through for quite some time", though the institution is already quietly eyeing a possible call on the international bond market of perhaps $450m by early next year.

Mr Khan said this week he expected IDBI to provide fully a third of the total of domestic institutional lending to India's power sector over the next five years, a figure he put at Rs130bn.

IDBI's gross investment approvals to Indian industry by the end of March 1995 exceeded Rs900bn, with disbursements reaching Rs650bn. IDBI's total assets of Rs345.8bn make it one of the world's 10 biggest development banks and dwarf those of any other Indian institution.

However, IDBI is not strictly comparable with any other national financial institution. None other stretches as widely in the range and size of industries which it supports, or in the mix of assistance it can provide.

In 1994, it sanctioned project finance assistance worth Rs67bn, comprising rupee loans of Rs32bn, foreign currency loans of Rs10bn, underwriting worth Rs7bn, direct subscription of Rs4bn and deferred payment guarantees of Rs14bn. Sectors to benefit included chemicals, textiles, power, road transport, iron and steel, and services. Direct industrial lending last year made up 83 per cent of IDBI's total investment approvals.

The bank's second core activity, which also follows from its institutional role, is in indirect assistance to state industrial institutions, predominantly in refinancing for State Financial Corporations and Small Industries Development Corporations in each Indian state – for which IDBI sanctioned gross lending of Rs5.7bn last year.

While IDBI will continue to lead Indian institutions in such roles, Mr Khan says the bank is acutely aware of its need to meet the opportunities presented by India's deregulation. It must also respond to corporate India's diminishing reliance on direct credit, as the fashion grows for securities market financing.

IDBI is seeking to diversify and deepen fee-based businesses, which presently contribute only a small portion of overall earnings. It has already set up its first mutual fund, and has taken a broking seat on the national stock exchange.

A merchant banking division is now three years old, and last year managed 77 rights and public issues raising a total of Rs73bn. Mr Khan says he expects IDBI's first commercial bank, to serve the institution's existing corporate clients, to begin operations later this year. Foreign exchange services are set to expand, with IDBI's foreign currency dealing room now into its second year. The bank is developing its industrial rehabilitation unit, primarily as an agency for ailing public sector industries.

Mr Khan says the bank is also awaiting approval from the Indian government and those of the US and Singapore to establish its first overseas representative offices.

The premium issue price of IDBI's shares – at Rs130 against present book value of Rs75 – reflects IDBI and its lead managers' belief that the market will show faith in the institution's ability to adapt.

Analysts note that the bank is losing the boost to its lending margins from long-term concessional government support. They also point out that its funding costs will benefit for the next three or four years from a favourable mismatch of maturities. While IDBI's past borrowings have typically been at a maturity of 15 or more years, its present average lending period is eight to 10 years.

The bank's results, due later this week, are expected to show a 26 per cent rise in after-tax profits, to Rs7.7bn against Rs6.1bn for 1993-94.

On such expectations, and given IDBI's strong balance sheet, past profits, size and market position, S. G. Warburg recently reckoned Rs130 to be an "extremely attractive valuation". Come July, IDBI will be hoping India's weary, sated stock market agrees.

Normandy and French group agree fresh deal

By Nikki Tait in Sydney

Normandy, the Australian mining company headed by Mr Robert Champion de Crespigny, said yesterday it had modified its complex A$450m (US$323.7m) deal with France's state-owned Bureau de Recherches Geologiques et Minières. The new deal allows BRGM to retain a 51 per cent interest in the Yanacocha and Cedimin projects in Peru.

These have been the subject of litigation, with BRGM's Peruvian joint venture partners – among them Newmont Mining Corporation in the US and Compañia de Minas Buenaventura – claiming that the Normandy deal meant that pre-emptive rights conditions were being triggered.

Under the restructured deal, Normandy said BRGM would retain a 51 per cent interest in the Peruvian assets. As previously proposed, the balance of the assets involved in the deal would go into a new company – LaSource Compagnie Minière – which would be 60 per cent-owned by Normandy and 40 per cent by BRGM.

The deal will now be completed in two stages: Normandy will first take a 49 per cent interest in LaSource (LaSource's direct interest in the Peruvian assets will then be reduced to 49 per cent); and then Normandy will lift its interest to 60 per cent.

"Both the BRGM group and the Normandy group are very confident, based on the advice of their respective Peruvian lawyers, that once the courts have had the benefit of a full explanation of the LaSource transaction, they will decide that no breach of the pre-emptive rights provisions has occured, or will occur," said the Australian company in a report to shareholders. Normandy recently changed its name from Normandy Poseidon.

● Niugini Mining (NML) said yesterday it had completed the purchase of an additional 16 per cent interest in the Lihir gold project in Papua New Guinea from RTZ's Kennecott Explorations.

The consideration, negotiated two years ago, was US$48m. In addition, NML paid US$6.1m as back payment of capital costs associated with the expanded interest.

Coca-Cola arm seeks A$670m

By Nikki Tait

Shares in Coca-Cola Amatil, the Sydney-based soft drinks group which is controlled by Coca-Cola in the US but listed separately on the Australian stock exchange, rose 12 cents to A$7.87 yesterday, after the announcement of a A$670m (US$482m) one-for-four rights issue designed to fund expansion. The issue, announced on Tuesday, is pitched at A$7.00 a share.

The cash call was rumoured a week ago and prompted a sharp fall in CCA shares which had previously stood above A$8.20. In the event, the cash call is lower than the market expectation of A$750m.

The funds will be used in part to buy – for US$131.4m – the bottling operations in Romania which are held by the parent Coca-Cola company's wholly-owned subsidiary, The Coca-Cola Export Corporation. CCA has also agreed to buy-out the 51 per cent it does not already own of an Indonesian unit.

Citic HK sells part of stake in colony's telecoms group

By Louise Lucas in Hong Kong

The Chinese government's main domestic and international investment agency yesterday sold 61m shares in Hongkong Telecom, raising some HK$945.5m (US$122.3m). The funds will be channelled into oil exploration and other infrastructure projects on the mainland.

The sale, believed to involve a single buyer, represented a 0.5 per cent stake in the Hong Kong utility. It was made through Citic Hong Kong, a wholly-owned subsidiary of China International Trust and Investment Corporation of Beijing.

Citic Pacific, the Hong Kong-listed arm which is 43 per cent-owned by Citic HK, retains its 12 per cent holding in Hongkong Telecom.

Hongkong Telecom is the colony's monopoly telecoms provider. Cable & Wireless of the UK has a majority stake.

Mr Henry Fan, managing director of Citic Pacific, said Citic HK felt the time was right to cash in its shares, which were sold at an average price of HK$15.50 each.

"It's not that we don't have confidence in the future of Telecom – we do, and that's why Citic Pacific still holds 12 per cent – but because we are in the process of going into new projects in China and think it's a good time to be cashing in what is, anyway, a tiny holding and utilising the funds for our infrastructure development," he said.

He said the move was in line with Citic HK's role as a "nursery", nurturing projects that need longer lead times or carry more risk prior to injecting them into Citic Pacific. The Cathay Pacific shares owned by the group, and its Dragonair holding started life in Citic HK, as did the entire stake in Hongkong Telecom.

In January 1993, when Citic Hong Kong sold 12 per cent of Hongkong Telecom to Citic Pacific, the stock was sold at HK$7.80 a share, where it stood to make a profit of HK$4.2bn.

Calculations on the profit cleared by Citic HK this time are confused by the issue of a covered warrant, which formed part of the group's original financing of the Hongkong Telecom stake in 1990.

Part of the tranche of shares was bought at HK$4.47, and the balance was the result of exercising a cash option on the covered warrants.

Shares accumulated as a result of handing out cash instead of shares come at a higher price.

Analysts echoed Mr Fan, saying the sale was in line with Citic Hong Kong policy and did not reflect badly on Hongkong Telecom, which loses its monopoly on domestic fixed-line services at the end of this month.

Hongkong Telecom's shares yesterday rose 45 cents to HK$15.55.

Hardware and material handling behind 29% underlying advance

FKI seeks £137m for expansion

By Tim Burt

FKI, the fast-growing UK engineering group, has pledged to accelerate its expansion strategy by launching a £136.6m ($214.5m) rights issue to cut borrowings and fund acquisitions.

The company, which has acquired 15 companies in three years, said the proceeds would reduce net borrowings from £156m to about £20m, cutting gearing from more than 70 per cent to 5 per cent.

Mr Jeff Whalley, chairman, said FKI wanted to relieve pressure on its balance sheet following its $64.4m acquisition earlier this year of Amdura, the US lifting equipment manufacturer. "We were becoming boxed in with the high level of gearing and were finding it uncomfortable."

FKI is issuing 112.1m shares on a 1-for-4 basis at 125p, a 15.5 per cent discount to yesterday's 148p closing price. Once the rights issue has been completed, Mr Whalley hinted FKI would move to make further acquisitions. The group is considering four companies and has not ruled out a hostile bid.

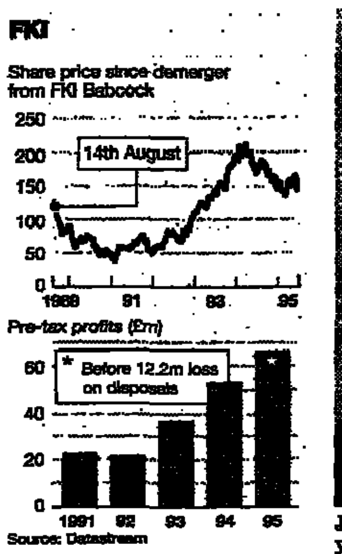
Some analysts predicted FKI would opt for a bolt-on acquisition to augment its presence in material handling – mainly heavy lifting equipment, hoists and chains – and hardware, dominated by casters, hinges and door furniture.

Rapid growth in FKI's hardware and material handling divisions fuelled a 29 per cent increase in underlying profits to £67.6m in the year to March 31. Operating profits rose by a similar margin from £60.4m to £78m, of which £62.7m was generated in North America. The heavy reliance on overseas profits forced the group to write off £3m of advance corporation tax.

The figures, however, were dented by a £12.2m loss on the disposal of three subsidiaries to Wellman, the engineering group. That pegged headline pre-tax profits at £55.4m for the year to March 31.

The figure was also dented by £4.2m of restructuring charges. Mr Bob Beeston, chief executive, said: "There will be a similar charge this year and we will continue to drive down headcount."

Mr Jeff Whalley, chairman, said the group had also been handicapped by a disappointing year at its UK engineering arm, where profits fell from £16.1m to £8m, mainly because of sluggish orders at Bristol Babcock UK, its transformer business. Its modest performance were offset by rising profits in the group's three other operating divisions.




Jeff Whalley: disappointing year at UK engineering arm

The group has tried to restore UK profits by cutting more than 1,000 jobs and selling non-core businesses.

The offer document for the rights issue, underwritten by N.M. Rothschild, showed that Mr Beeston had moved from a three-year to a two-year rolling contract, was on a basic salary of £250,000 with potential bonuses of £125,000. He has also been promised damages of £750,000 should the company be taken over and his contract terminated. Mr Whalley , meanwhile, has been awarded a 40 per cent pay increase rise from £160,000 to £225,000.

Further provision puts NFC into loss

By Geoff Dyer

NFC, the transport and logistics group, is taking a further £35m ($55m) restructuring provision leaving it with a small interim pre-tax loss.

The provision is on top of the £50m set aside for restructuring over the last two years and NFC said there would be job losses across the group.

Mr Gerry Murphy, chief executive, said: "Few companies have been more analysed than NFC. There will be no more navel-gazing. It is now time to get on and act."

Although he has officially been in the job for only nine days, he said that he had approved all the restructuring decisions.

The second interim dividend was maintained at 1.5p, although this was covered only 1.2 times by pre-exceptional earnings. Sir Christopher Bland, who took over as chairman in December, said that over the next 2-3 years dividend cover would be increased to two times.

New provisions worth £57m were outlined yesterday, described by Sir Christopher as "the last bite of the cherry", however £22m of unspent provisions from last year were carried forward.

The proposed actions include rationalising the property portfolio, cost-reduction and writing off non-performing assets. Mr Murphy described them as "remedial" measures, and said they were not paving the way for the group to exit from certain businesses.

Pre-tax profits last time of £50.7m became losses of £200,000 after the provision.

Losses at the European logistics division increased to £4.6m (£1m), reflecting last year's acquisitions in Germany. Mr Murphy said that provision had been made for leaving some lossmaking contracts in Germany and Spain and a new senior management team had been appointed.

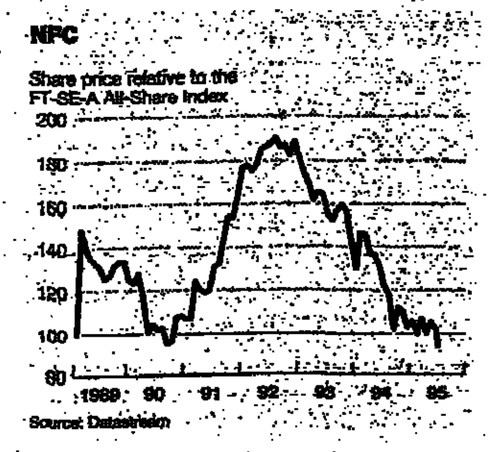
The moving services division recorded a £2m loss, against profits of £1.4m, due to bad debts and increased operating costs in North America.

LEX COMMENT
NFC

For a chairman and chief executive announcing yet another disappointing set of results, NFC's Sir Christopher Bland and Mr Gerry Murphy are in a relatively comfortable position. Both are new to their jobs and can present the company's slide into loss, after exceptionals, as a final legacy of the previous management. Their justification for maintaining an uncovered dividend is fair enough. They believe profits will be sufficient to cover dividends twice over within three years. This would require 1998 profits of at least £150m, which appears feasible.

NFC's revenues are still rising, but margins have been squeezed, as lucrative logistics contracts signed in the 1980s have come up for renegotiation. The company believes margins are now stabilising, as the bulge of renewals passes. Still, there is little chance of any price recovery, so the strategy for restoring margins is to slash the cost base. Heavy provisions against restructuring give plenty of scope for getting rid of surplus property and staff. The new managers will not balk at wielding the knife, but the skill lies in not impinging on the company's revenue growth.

The company has disappointed often before.



Having admitted last year's German acquisitions were a mistake, it remains to be seen whether they can be straightened out. Pressure on margins could persist, and some businesses may be vulnerable to economic slowdown. The new management may be taking the right actions, but recovery is far from assured.

Scottish Hydro lifts dividend 11%

By Michael Smith

Scottish Hydro-Electric said yesterday it would be another two months at least before it knew price controls for the next five years as it revealed a 10.8 per cent dividend increase.

Mr Roger Young, chief executive, said that although the Monopolies and Mergers Commission report on its distribution and supply prices was expected today, the regulator would not be constrained precisely by what it recommended. Prices may not be determined until the autumn, he said.

The company also revealed it was interested in bidding for the pumped storage arm of the National Grid, although it said the business was difficult to evaluate.

Discussions with National Power and PowerGen to buy any of their generation units have come to an end.

The MMC was asked to report after Hydro rejected the regulator's suggestions for its prices last September.

Lord Wilson of Tillyorn, Hydro chairman, said yesterday that the regulator had failed to allow the company enough income to keep improving the distribution network and so provide a more reliable service.

In the year to March, Hydro-Electric made pre-tax profits of £168.7m , up 2.7 per cent from £164.2m on turnover of £833.1m (£792.4m). The company is recommending a final dividend of 9.67p to take the full year total to 14.01p, a 10.8 per cent increase on 12.64p.

Earnings were 2.3 per cent down at 31p (31.7p).

Earnings were affected by £18.8m associated with debt redemption, £2m for the MMC review, and £14.5m for future reorganisation costs. However heavy rainfall added about £9m to profits.

Hydro more than offset a £9.9m decline in Scottish profits by a £29.5m rise in England and Wales profits.

The company's retailing operation made operating profits of about £1m on turnover of £28m.

Gearing stood at 13 per cent at the year end.

Mr Young said the company had no plans to buy its own shares.

"It is not on the agenda for at least another year," he said. "We are focusing on investment and growth."

TLG holders cut stakes in placing

By Motoko Rich

The two largest investors in TLG, the industrial lighting equipment manufacturer that floated in November, have placed 57.5m shares at 150p a share.

Shares in TLG rose 8p to 159p yesterday as Thorn EMI, the music and retailing group that sold TLG to the management in 1991, and Lighting Limited Partnership, a venture managed by Investcorp, the Bahrain-based investment bank, announced they had found buyers for all the shares offered.

Thorn later announced it had taken advantage of the strength of the after market to sell its remaining 5m shares – a stake of 2.8 per cent – leaving it with no holding.

The investors had originally announced the intention to sell 50m shares, with an option to sell up to 57.5m.

S.G. Warburg coordinated the sale with Cazenove and Kleinwort Benson. It said it had revoked the right to stabilise or take up the option to buy back the further 7.5m shares because satisfactory demand from more than 100 institutional investors allowed it to place the total amount.

Some 50.2m of the shares were sold by LLP, leaving it with a 19.2 per cent stake. LLP has agreed not to dispose of any further shares until TLG publishes its interim results.

Tax boost for Ocean Wilsons

Ocean Wilsons (Holdings), the investment holding company and shipping services and port activities group, saw pre-tax profits surge from £5.88m to £10.48m in 1994.

The after-tax balance was £8.69m (£4.16m) of which £6.33m (£3.43m) was attributable to Brazilian operations. The company said the increase was due partly to the currency mismatch between the Brazilian local currency and the US dollar and non-recurring items, including the release of part of the deferred tax in Brazil cutting net tax by more than £3m.

A monetary correction this time added £977,000 (took £354,000), while exchange credits on remittances came to £53,000 (£498,000). There was also a net surplus on disposal of subsidiaries of £1.63m (nil).

Net assets per share came to 138.54p (97.51p), of which 96.85p (58.87p) was in Brazil.

ABB Transformers

ABB Transformers, the Irish engineering goods manufacturer, saw pre-tax profits for the year to December 31 improve from I£14,000 to I£299,000 (£306,000). Turnover advanced from I£7.24m to I£7.36m

The company is a subsidiary of EB National Transformer of Norway.

GWR German move

GWR, the expanding Bristol-based commercial radio group which last month made a hostile £21m paper bid for Chiltern Radio, is to purchase a 21 per cent stake in the German company, Antenne Sachsen Hörfunk-Versorgung.

Antenne Sachsen operates a commercial radio station of the same name serving some 6m people in the German state of Saxony and surrounding areas, including Leipzig and Dresden.

Orange oil buoys Treatt

A £300,000 gain from orange oil stocks helped Treatt, the USM-traded supplier, blender and distiller of essential oils and aromatic chemicals, to report more than doubled interim profits. The figures were also driven by Florida Treatt, formed in 1990 to make natural orange-juice aromas. Last year it quadrupled sales.

In the six months to the end of March group pre-tax profits were £1.92m (£756,000). Sales were 65 per cent ahead at £13.5m, helped by the doubling of distillation capacity at its Suffolk plant last August.

Goldsborough rises 68% but shares dip

By Motoko Rich

Shares in Goldsborough Healthcare, the nursing homes, hospitals and homecare group, fell 11p to 154p as a 68 per cent increase in pre-tax profits failed to meet analyst's expectations.

Pre-tax profits in the six months to April 2 rose from £1.91m to £3.2m on turnover up 26 per cent to £24.37m (£19.28m). The company declared its first dividend of 1.2p.

Mr Graham Smith, chief executive, revealed the group was at an "advanced stage of negotiations on a number of potential acquisitions," and said the company was comfortable with its gearing of 50 per cent. It would be satisfied if the level rose to 75 per cent. He said the acquisitions under consideration could be funded from the group's internal finances.

Margins in the care homes division fell slightly from 28.6 per cent to 28.2 per cent as occupancy rates dropped to 94 per cent (95 per cent) and the group incurred start-up costs on the opening of new homes. The division posted a 8.2 per cent rise in operating profits to £3.15m.

Mr Smith said local authorities were squeezing budgets in the first half after having run out of money in the second half. This had pushed down occupancy rates. He said the group would add 87 beds by the end of the year.

Margins in the acute hospitals division rose to 24.5 per cent (24.2 per cent) reflecting the benefit of first-time contributions from acquisitions.

JKX seeks $70m for Ukraine

By Robert Corzine

JKX, the Guildford-based independent oil company which is coming to the main market via a placing and public offering later this month, hopes to raise $70m for joint ventures in three former Soviet republics.

A pathfinder prospectus published today will show that the company, which is involved in Ukraine, Georgia and the Russian autonomous republic of Dagestan on the Caspian Sea, will have a reserve base of 31m barrels of liquid hydrocarbons, and 519bn cu ft of natural gas.

The reserves are valued at $308m, although this is based on only two of the company's projects, according to executives.

A total of 44.8m shares are currently in issue, with total subscribed share capital of $46.3m. Market capitalisation is likely to be about £120m-£140m on the first day of trading.

JKX last week appointed Mr Robert Horton, the former chairman and chief executive of British Petroleum, as non-executive chairman. He will be paid £2,000 a month, plus £1,250 a day when on company business.

Earlier this week JKX announced that Pecten International, the exploration and production arm of Shell Oil of the US, was to take a 40 per cent share in its half of a venture in Georgia.

Mr David Robson, chief executive, said most of the money raised would be devoted to projects in Ukraine, where JKX is one of the largest foreign investors. It has development and exploration rights in the Poltava onshore field and holds large exploration acreage in the Black Sea off Crimea.

Further rationalisation in fragmented builders merchants sector

Graham agrees £52m bid for Erith

By Andrew Taylor, Construction Correspondent

Graham Group, which was floated off only 15 months ago from BTR, the industrial conglomerate, was yesterday poised to become Britain's second largest builders' merchants. It has agreed to acquire Erith, which has been in business since 1847, in a deal worth about £51.6m ($81m).

The purchase represents a further rationalisation in a highly fragmented sector where more than 600 companies shared an estimated turnover of £7.8bn last year.

Combined annual sales of more than £500m would make the merged group the second largest selling builders' merchant, behind Wolseley which had turnover of nearly £600m last year.

Mr Ian Mills, Graham's chief executive, said: "More and more customers are seeking to use their purchasing power to negotiate preferential deals with large national suppliers. A large product range and geographic spread are essential to succeed in the market; hence the purchase of Erith."

Graham has been appointed as sole supplier of building materials to Ford UK, while British Gas recently announced a preferred list of nine merchants, including Graham, to supply its domestic heating installation business. Housebuilders seeking preferential deals include Tarmac and Bryant.

"I would expect the three largest merchants to account for about 40 per cent of total sales within ten years. This compares with the top five – Wolseley, Graham, Harcros, Jewson and Travis Perkins – which currently account for just 31 per cent of sales," said Mr Mills.

Erith – which sells mainly heavy building materials, such as bricks and concrete blocks – has 43 branches operating mainly inside the M25 orbital motorway around London, East Anglia and the East Midlands.

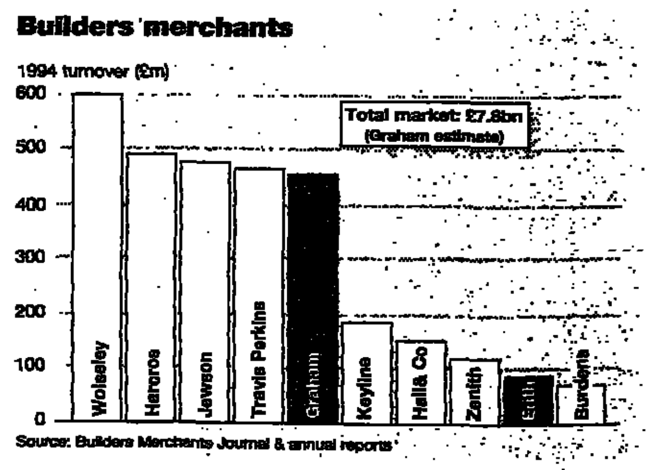
Graham sells mainly "light side" materials, with almost two thirds of its business in plumbing and heating products. It has a national chain of 151 branches, of which only two are in areas served by Erith.

Mr Chris Grant, building analyst with stockbrokers BZW, said: "It is a very neat fit and the deal makes a lot of sense; but Graham has set itself a stiff target, saying the acquisition will be earnings enhancing by 1996."

At yesterday's closing price of 178p, down by 4p, Graham's 3-for-5 offer values Erith shares at 106.8p. There is an alternative under-written cash offer of 104p a share.

Last year Erith earned pre-tax profits of £2.5m on sales of £85.2m, and generated net margins of 3.5 per cent. Graham generated net margins of 5 per cent, making profits of £18.9m on sales of £418.8m. This compared with net margins in excess of 7 per cent at Travis and more than 8 per cent at Wolseley.

Graham, however, has outperformed the market in the first five months of this year. Its 6 per cent increase in volume sales compares with a sector fall of about 4 per cent. Increased market share has not been won at the expense of margins, which remain higher than at the same stage last year.



RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
ABB Transformers ♣	Yr to Dec 31	7.36	(7.24)	0.299	(0.014)	-	(-)	-	-	-	-	-
Amberley §	Yr to Mar 31	13	(5.36†)	2	(0.403)	3.5	(1.92)	1	Oct 2	1	1.25	1
Bradford Prop Tst	Yr to Apr 5	39.7	(48.6)	24.8	(30.7♥)	11.37	(14.27)	3.85	-	3.6	7.15	6.5
Bristol Water Hold	Yr to Mar 31	62	(59.9)	9.67	(8)	95.7	(83)	24.5	Oct 2	22.4	36.5	33.5
FKI	Yr to Mar 31	799	(795)	55.4♠	(52.3)	7.63	(8.22)	2.6	Oct 2	2.2	4.6	3.7
Goldsborough	6 mths to Apr 2	24.4	(19.3)	3.2	(1.91)	6.1	(6.4)	1.2	July 17	-	-	2.3
Gresham Computing	6 mths to Apr 30	3.8	(3.07)	0.52	(0.24)	0.98	(0.43)	-	-	-	-	0.3
Hill Hire	Yr to Mar 31	10.2	(6.8)	2	(1.57)	7.48	(8.94)	1.12	Aug 1	-	1.12	-
L'don Scott Bank	6 mths to Apr 25	-	(-)	3.52	(2.7)	4.2	(3.2)	1.45	July 28	1.2	-	3.1
Mansfield Brewery	Yr to Apr 1	134	(121)	17.4	(14.4)	19.46	(16.39)	3.7	Aug 16	3.15	5.2	4.4
NFC	6 mths to Apr 15	1,124	(1,029)	0.2L♠	(50.7)	1L	(6)	1.5	Oct 4	1.5	2.9♦	7.1
Ocean Wilsons	Yr to Dec 31	59.8	(33.9)	10.5♥	(5.88)	21.86	(10.46)	3.25☆	July 14	3	4.25	4
Rockwood Mineral	Yr to Dec 31	5.01	(2.97)	0.074	(0.029)	2.53	(0.16)	2.25	Aug 2	-	-	-
Rainford Group	Yr to Mar 31	63.4	(23.8)	5.35	(1.51)	17.3	(4.4)	-	-	-	-	
Raisford	Yr to Mar 31	63.5	(23.8)	5.35	(1.51)	17.3	(4.4)	-	-	-	-	-
Scottish Hydro	Yr to Mar 31	833	(792)	168.7♠	(164.2)	31	(31.7)	9.67	Oct 2	8.68	14.01	12.64
Stirling	Yr to Mar 31	88.6	(95.2)	6.09	(0.8L♠)	4.63	(1.39)	1.45	Oct 6	1.35	2.05	1.9
Treatt	6 mths to Mar 31	13.5	(8.2)	1.92	(0.756)	13.43	(5.35)	1.8	Oct 6	1.2	-	4.6
UK Land	Yr to Mar 31	2.36‡	(2.26)	5.58♥	(45.02♥)	67	(1000.1)	1	Oct 2	nil	1	nil
West Trust	Yr to Mar 31	21.9	(13.2)	1.58♠	(1.4L♠)	2.73	(5.3L)	2	Nov 1	2.3	2.5	2.5

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ♠After exceptional charge. ♥After exceptional credit. ♣Irish currency. ♦Total for year so far. ‡Gross rents. ☆Gross.

COMMODITIES AND AGRICULTURE

US to suspend set-aside as cereal output sags

By Laurie Morse in Chicago

This season's US wheat harvest will be so small that producers will be allowed to plant freely again this fall, without set-aside constraints, the US secretary of agriculture told a congressional committee on Tuesday.

Mr Daniel Glickman, said in testimony to the Senate agriculture committee that his "guidance" to wheat farmers was that there would be no set-aside requirements for farmers participating in federal farm programmes next year. The US Department of Agriculture usually announces its wheat set-aside requirements on June 30. However, because congress is rewriting farm programme legislation this summer, the official set-aside announcement must wait until a new Farm Bill is signed.

With estimates of this year's wheat harvest diminishing, few had expected the USDA to ask farmers to reduce plantings next year. In a report on Monday, the USDA reduced its estimate for this year's wheat crop to 2.26bn bushels (60lb each), down from 2.32bn a month ago and about 6 per cent below last year's harvest. The new estimate puts US wheat stocks at a mere 459m bushels at the end of the crop year, the smallest carryover supply since 1974.

Mr Ed Allen, a USDA wheat specialist, said heavy rains in Oklahoma and too much moisture in other winter wheat growing areas had caused crop deterioration. In the US spring wheat belt, rain had delayed plantings. "In the spring wheat areas, we've had to reduce our estimates for planted acres," Mr Allen said.

The USDA this week also sharply reduced its projection for this year's maize harvest, dropping its production estimate to 7.9bn bushels (56lb each), down 8 per cent from last month and more than 20 per cent below last year's bumper harvest. The new figures would leave the US holding just 746m bushels of maize in reserve immediately before next year's harvest. That amounts to about a month of consumption, based on the USDA's usage estimates.

The shortened harvest forecasts boosted maize and wheat futures prices at the Chicago Board of Trade on Tuesday, though prices remained below highs scored earliers this season. In late trading yesterday wheat futures for July delivery were up 8 cents at $3.87 a bushel, while July maize was up 2¾ cents at $2.74.

MARKET REPORT

Profit-taking in New York reverses coffee price decline

Profit-taking in New York reversed the downtrend in **COFFEE** prices yesterday but traders said the short-term direction of the market was still downwards.

The September robustas contract at the London Commodity Exchange dipped to $2,645 a tonne at one stage before rallying to close at $2,710, down just $3 on the day.

Traders said New York operators had been expected to buy back some of the 7 cent losses seen late on Tuesday in anticipation of a bearish US Department of Agriculture estimate of the coming Brazilian crop. In fact the estimate proved neutral.

The USDA forecast Brazil's 1995-96 crop at 17.6m bags (60kg each), compared with the mid-point in its previous forecast of 17.45m. It put world green bean output at 87.4m bags, down from 93.8m bags last year largely as a result of the 1994 frosts and drought in Brazil. Colombian production was seen at 12.5m bags.

LCE **COCOA** futures prices were also buoyed in the afternoon by a firmer than expected tone in New York and regained most of their early losses.

Traders said they expected cocoa prices to fall gently in coming days as speculators extended short positions. But that could lead to sudden volatility if stop-loss orders were deliberately triggered by strong operators so that they could buy back on the consequent falls.

London white **SUGAR** prices were mixed in afternoon trade with the August contract faltering and reversing earlier gains.

Traders said selling by a trade house and a commission house and disappointment with New York's performance had put August under pressure after its earlier gains. "It's mostly sympathy with New York," one trader explained. New York had been expected to open about 0.10 cents firmer but the July contract slipped back.

At the London Metal Exchange **COPPER** prices ended the after hours "kerb" session at the day's highs following a late buying flurry, and **ALUMINIUM** followed the red metal higher. But volumes were again disappointing, and the rally lacked real conviction, traders said. "They were minuscule volumes throughout the day," one said.

Compiled from Reuters

Price rise brings Cornish tin close to break-even

The recent strength of tin prices, with the market rising to the highest levels for nearly three years this week, means that the UK's sole tin mine, at South Crofty in Cornwall, is nearing break-even, reports Reuters.

"As far as we are concerned [the market's strength] is all to the good," Mr Kevin Ross, South Crofty's managing director, said yesterday. "But I am not predicting that we will be in profit. There is significant market volatility."

On Tuesday the London Metal Exchange three months delivery tin price hit a high of $6,870 a tonne in response to concern about a "squeeze" on immediately available supplies. By last night's close it had eased back to $6,585.

Mr Ross said that the mine in Cornwall, in which Canada's South Crofty Holdings, has a majority stake, would break even at around £4,100 a tonne, just below yesterday's LME close.

He said that the fundamental outlook for the market had improved considerably since the last quarter of 1994, as the level of stocks had fallen markedly.

"My view is that it has been in deficit over the last eight months," he added.

The west's supply/demand deficit had previously been met by increased shipments from China, which exported double its Association of Tin Producing Countries quota in 1994. But that has changed this year as the country is showing signs of adhering to a 20,000-tonne export limit, Mr Ross said.

In addition, disposals from the US Defence Logistics Agency's strategic stockpile are running at only 6,000-7,000 tonnes a year, half the maximum 12,000 tonnes allowed, as consumers are reluctant to take its ageing tin. This has resulted in significant offtake from the LME stockpile, which is now down from last September's 7½-year high of 32,405 tonnes to 16,615 tonnes, the lowest levels since February 1993.

Setback for shrimpers in battle of the mangroves

Ecuador has protected a vast area, much to the chagrin of the industry, writes **Raymond Collit**

The Ecuadorean shrimp farming industry, the world's second largest, is enmeshed in an environmental controversy that could severely limit future growth in the sector. Environmentalists are accusing the industry of recklessly destroying the mangrove around the country's Pacific coast.

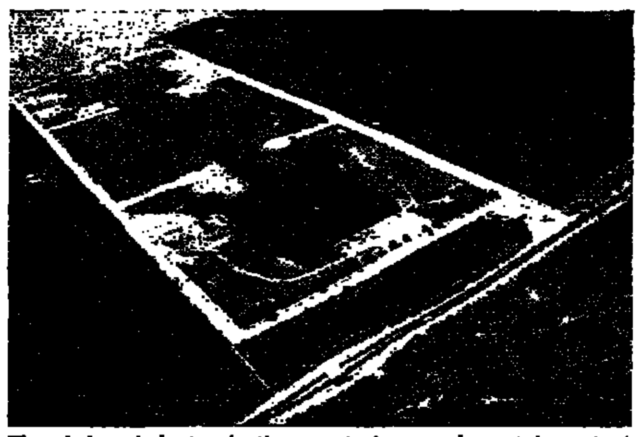
Shrimp farmers, who have themselves suffered losses through water pollution, which they claim stems from pesticides used on banana plantations, admit to some destruction of mangroves. But they say that claims by environmentalists are exaggerated and that control mechanisms are being implemented.

The conflict intensified after a call for an international boycott of Ecuadorean shrimp, by the environmental group Accion Ecologica. Says Gina Chavez, co-founder of the group: "The way shrimp farms are run today, they are not environmentally sustainable. We want consumers worldwide to know that by consuming Ecuadorean shrimp they are helping to destroy the mangrove".

Yet Juan Xavier Cordovez, the president of the Chamber of Aquaculture, says that such claims are completely unfounded. Referring to the call for a boycott he said: "Such behaviour is irresponsible and could cause a detrimental effect not only to the shrimp industry but to the entire Ecuadorean economy".

The minister of Industry and Commerce, Vicente Maldonado, said: "The group's demand is ridiculous and unpatriotic".

Figures from the state-run geographic institute refute claims by environmentalists that 70 per cent of the country's mangroves have already been destroyed. The official statistics indicate that some 41,000 hectares of mangrove have gone in the last decade, 20 per cent of the total. An aerial survey of the coast shows mixed results.



The shrimp industry is the country's second most important non-petroleum source of income

Much of the mangrove in the Gulf of Guayaquil, where the majority of the shrimp farms are located, appears still to be intact. Smaller mangrove forests in other estuaries further north, such as in Bahia and Muisne, are largely destroyed.

Differences over how much mangrove has been destroyed is only one indication of how political the controversy is. The government is reluctant to to anything that might hinder the growth of the shrimp industry, which is the country's second most important non-petroleum source of income; but at the same time it is facing strident attacks fro environmental groups, often backed by foreign aid organisations, who are frustrated with its inaction on a problem that began over half a decade ago.

Almost all participants in the debate agree on the importance of mangrove in protecting the coast. Mangrove forest is home to important species of marine life and acts as a natural barrier to the eroding forces of the ocean.

In March of this year the government declared a vast area of mangrove in the northern province of Esmeraldas as a protected area. As a result, several multi-million dollar shrimp farming projects had to be put on hold. Yet far from putting an end to the controversy, it simply stoked the fire.

The island of Pampanal, within the protected area, has become a principal battleground in the war between conservation and development. Poverty among the native fishermen is oppressive; malaria widespread; health services non-existent; and there is no electricity. Shrimp farms promise hundreds of jobs.

The underlying issue of course is whether shrimp farming is indeed compatible with the conservation of mangrove. Industry representatives say it is, because the pools in which shrimp larvae are cultivated can be constructed on the salt flats or higher elevations interspersed within the mangrove forest.

Says Ruy Quevedo, one of the entrepreneurs who was about to launch a large shrimp farm before the area was declared a reserve: "The industry has become more environmentally conscious in the last years. We now have the capital, technology, and interest to operate in such a way as to protect the mangrove".

The projects presented by a group of environmentally conscious entrepreneurs may indeed offer a viable compromise; but they are not representative of the entire sector. Hundreds of small to medium-sized shrimp farmers, lacking resources and technology, continue to cut down mangrove only 100km south of Pampanal in the estuary of Muisne.

Although the state is now intent on preventing the illegal destruction of mangrove by regulating and controlling the use of coastal resources, the odds are not in its favour. The state often does not have the ability to enforce the law, and when it does, corruption comes in the way.

"When the shrimp farmers are caught cutting down mangrove, they go to jail for a day, pay off the authorities, and continue cutting the following day," says Lurdes Proáno of the local environmental group Funecon.

Industry minister Maldonado says: "There has never been any long-term [environmental] policies but rather circumstantial reactions by the state". He adds that the large "informal" sector within the economy exacerbates the difficulty of enforcing policies.

A Chamber of Aquaculture itself proposes environmental and technical education programmes to avoid indiscriminate mangrove destruction. Until these bear fruit, however, a more immediate solution lies in the formation of a multi-sector surveillance committee that ensures the industry adheres to the new guidelines.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1740-1	1761-2
Previous	1730-1	1753-4
High/low	1735.5/1735	1766/1742
AM Official	1735-5.5	1757-7.5
Kerb close		1765-6
Open int.	196,898	
Total daily turnover	36,797	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1600-20	1625-40
Previous	1595-605	1620-30
High/low		1630
AM Official	1605-15	1625-30
Kerb close		1620-30
Open int.	2,459	
Total daily turnover	369	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	613-4	626-7
Previous	617-8	630-1
High/low	613/609	628/620
AM Official	608.5-9.0	621.5-2.5
Kerb close		626-7
Open int.	31,174	
Total daily turnover	6,575	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7590-600	7725-30
Previous	7730-40	7880-90
High/low	7610	7880/7680
AM Official	7615-20	7735-40
Kerb close		7720-5
Open int.	43,366	
Total daily turnover	13,152	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6730-40	6580-90
Previous	6740-50	6600-10
High/low		6810/6450
AM Official	6580-5	6545-50
Kerb close		6610-15
Open int.	19,712	
Total daily turnover	5,845	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1001.5-3.5	1026-7
Previous	1003-4	1027-8
High/low	1000/999	1030/1023
AM Official	999-9.5	1023-3.5
Kerb close		1026-7
Open int.	85,099	
Total daily turnover	18,246	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2906-8	2871-3
Previous	2904-5	2869-70
High/low	2960/2857	2878/2856
AM Official	2897-8	2864-5
Kerb close		2876-7
Open int.	240,615	
Total daily turnover	38,367	

■ LME AM Official £/$ rate: 1.5993
LME Closing £/$ rate: 1.6095

Spot:1.6078 3 mths:1.6058 6 mths:1.6011 9 mths:1.5958

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jun	135.35	+1.95	135.50	134.90	1,084	274
Jul	134.85	+2.00	135.40	132.70	23,403	5,328
Aug	133.60	+1.85	-	-	742	-
Sep	132.40	+1.75	132.80	130.75	9,772	1,108
Oct	131.15	+1.75	-	-	801	-
Nov	129.80	+1.50	-	-	387	-
Total					44,772	8,121

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	387.90-388.10		
Opening	386.60-386.90		
Morning fix	386.80	242.265	450.042
Afternoon fix	387.75	241.093	447.735
Day's High	388.90-389.30		
Day's Low	386.50-386.80		
Previous close	387.20-387.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.31	6 months	4.89
2 months	5.25	12 months	4.75
3 months	5.18		

Silver Fix	p/troy oz.	US cts equiv.
Spot	335.30	538.50
3 months	340.15	543.55
6 months	345.45	550.55
1 year	356.45	563.85
Gold Coins	$ price	£ equiv.
Krugerrand	388-391	241-243
Maple Leaf	398.80-401.30	-
New Sovereign	90-93	56-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	388.3	+1.2	389.3	388.3	829	336
Aug	390.6	+1.2	392.3	389.4	72,184	19,028
Oct	394.0	+1.2	395.1	393.3	6,626	2,407
Dec	397.3	+1.2	398.5	396.9	33,873	663
Feb	400.4	+1.2	-	-	13,512	120
Apr	403.5	+1.2	-	-	8,495	23
Total					164,848	22,602

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jul	437.6	+1.7	438.8	436.0	10,834	3,569
Oct	439.6	+1.6	441.0	438.5	8,371	537
Jan	441.8	+1.6	442.0	442.0	1,747	3
Apr	443.8	+1.6	-	-	733	10
Jul	445.8	+1.6	-	-	205	-
Total					21,890	4,119

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	159.70	-0.30	-	-	150	-
Sep	161.50	-0.30	162.50	161.00	5,387	425
Dec	163.50	-0.30	163.50	163.50	909	9
Mar	165.25	-0.30		-	1	-
Total					6,447	434

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	530.7	-3.6	-	-	18	6
Jul	531.7	-4.0	542.0	528.5	44,744	16,338
Aug	537.3	-4.0	548.0	533.5	-	-
Sep	544.6	-4.0	554.5	542.0	17,945	2,796
Dec	547.0	-4.0	-	-	17,312	1,239
Jan	552.1	-4.1	-	-	16	-
Total					108,286	20,399

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	18.87	-0.04	18.93	18.68	56,051	22,999
Aug	18.73	-0.03	18.80	18.58	58,080	17,758
Sep	18.55	-0.03	18.62	18.42	35,604	6,745
Oct	18.41	-0.03	18.47	18.29	17,624	3,010
Nov	18.32	-0.02	18.39	18.19	16,467	952
Dec	18.25	-0.03	18.25	18.14	26,464	2,906
Total					340,225	60,517

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	17.62	-0.08	17.68	17.49	37,778	18,479
Aug	17.41	-0.07	17.48	17.31	54,284	13,862
Sep	17.19	-0.11	17.29	17.15	18,319	1,776
Oct	17.10	-0.10	17.16	17.08	16,377	573
Nov	17.00	-0.12	17.07	17.00	5,147	15
Dec	17.01	-0.03	17.01	16.94	11,336	19
Total					157,748	34,587

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	48.70	+0.17	48.85	48.25	31,136	9,500
Aug	49.15	+0.14	49.25	48.75	20,108	3,390
Sep	49.80	+0.09	49.95	49.50	13,122	1,819
Oct	50.75	+0.19	50.80	50.45	8,048	607
Nov	51.60	+0.19	51.65	51.20	5,481	652
Dec	52.40	+0.01	52.45	52.00	20,134	1,900
Total					120,578	19,494

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	152.00	-1.00	153.25	151.75	30,823	5,775
Aug	152.25	-0.75	152.75	152.75	17,101	3,605
Sep	153.75	-0.50	154.25	153.25	10,210	459
Oct	156.25	-0.75	156.50	155.75	4,798	450
Dec	159.50	-1.00	159.50	159.00	9,549	950
Mar	157.00	-1.00	-	-	880	-
Total					80,304	11,869

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	1.701	-0.007	1.713	1.692	25,813	5,806
Aug	1.781	-0.005	1.795	1.775	20,287	3,476
Sep	1.807	-0.005	1.813	1.805	18,525	1,861
Oct	1.825	-0.007	1.830	1.820	14,036	490
Nov	1.894	-0.010	1.898	1.890	8,428	57
Dec	1.965	-0.007	1.965	1.960	14,448	338
Total					144,186	12,207

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	61.50	+0.57	61.70	60.50	34,130	12,428
Aug	58.90	+0.44	58.95	58.20	18,702	3,007
Sep	56.95	+0.22	57.00	56.50	7,517	1,565
Oct	54.70	-	-	-	3,386	293
Nov	54.05	-0.06	54.05	53.85	2,429	238
Dec	53.55	-0.03	53.55	53.35	3,278	181
Total					69,549	17,702

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	124.90	-	124.85	124.65	544	45
Sep	107.50	-0.50	107.50	107.50	638	7
Nov	108.45	-0.55	108.50	108.50	3,159	71
Jan	110.25	-0.75	110.55	110.25	1,673	38
Mar	112.40	-0.55	112.35	112.35	582	5
May	114.15	-0.50	114.25	114.00	274	13
Total					6,872	179

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	386/6	+7/6	389/4	379/0	34,082	13,564
Sep	394/4	+8/2	397/0	386/4	19,838	4,448
Dec	407/0	+7/6	409/4	399/4	27,328	7,447
Mar	408/4	+5/4	410/0	401/4	2,723	250
May	390/4	+5/4	391/0	390/0	32	-
Jul	358/4	-0/4	363/0	357/0	417	112
Total					84,520	25,821

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	276/2	+5/0	276/6	271/2	100,857	23,791
Sep	283/0	+4/6	283/4	278/2	58,024	9,875
Dec	287/6	+4/4	288/0	283/2	221,296	29,746
Mar	290/6	+3/2	291/2	287/2	22,828	728
May	292/0	+3/0	292/6	289/4	5,287	568
Jul	293/0	+3/0	293/6	291/0	13,091	994
Total					428,386	66,383

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	105.00	-0.50	105.00	105.00	173	4
Nov	106.40	-0.35	-	-	695	-
Jan	108.50	-0.50	108.50	108.50	330	3
Mar	111.25	-	-	-	126	-
May	112.25	-0.50	-	-	20	-
Total					1,344	7

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	585/4	+5/6	586/4	578/4	47,587	12,170
Aug	590/2	+5/4	591/4	584/0	18,785	1,478
Sep	595/4	+5/0	596/6	589/4	7,584	884
Nov	604/2	+5/2	605/4	597/2	54,341	20,945
Jan	611/2	+5/0	612/4	604/4	4,602	897
Mar	618/6	+5/4	619/0	612/4	1,490	191
Total					140,773	36,606

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	26.03	+0.26	26.07	25.65	19,127	9,355
Aug	25.90	+0.25	25.95	25.56	13,211	2,758
Sep	25.84	+0.25	25.88	25.55	9,032	801
Oct	25.72	+0.17	25.77	25.50	6,171	580
Dec	25.63	+0.20	25.68	25.35	17,421	3,338
Jan	25.65	+0.23	25.65	25.38	1,289	36
Total					68,389	17,053

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	173.0	+1.8	173.5	170.8	29,973	8,465
Aug	175.1	+2.0	175.5	173.0	13,980	2,122
Sep	177.4	+2.1	177.7	175.0	10,002	456
Oct	179.1	+2.0	179.5	176.9	9,831	976
Dec	183.1	+1.9	183.4	181.2	16,194	3,192
Jan	184.2	+1.7	184.5	182.8	1,371	27
Total					81,832	15,390

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	85.0	-	-	-	-	-
Mar	107.5	-	-	-	-	-
Apr	107.3	-1.2	108.0	108.0	558	12
May	140.0	-	-	-	-	-
Jun	150.0	-	-	-	-	-
Total					582	12

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	2000	+30	1990	1970	418	55
Jul	1825	+63	1825	1870	1,040	134
Aug	1905	+75	1910	1840	78	24
Oct	1880	+60	1890	1840	1,323	28
Jan	1795	+38	1795	1760	842	64
Apr	1810	+60	1770	1770	72	1
Total					3,712	306

	Close	Prev
BFI		1997

Nuts and Seeds
1994 Crop prices from Kenkko Group; US $ per tonne: Iranian Pistachios 28/30 raws (in shell) naturally opened (round) 3,550 FOT MEP; slightly firmer. US almonds (shelled) 23/25 NPSSR 5,400 C&F MEP; supported by adverse weather and low 1995 crop estimates. US walnuts (shelled) light halves and pieces 4,600 FAS California; current crop nearly sold out; new crop developing well. Indian cashews, raw, W320, 5,550 FOT MEP, firm. Turkish hazelnut kernels, 13/15 standard 1s; 1994 crop 3,080 C&F MEP; new crop 3,500; firm on rumour of 50% drought damage. Pumpkin seed: Chinese snow white 1,850 C&F MEP, firm on withdrawal of 13% export subsidy; Russian S/W, long, 2,450 FOB MEP. Sunflower seeds: Kansas 1994 crop 800 CIF MEP; N Dakota, 700; Israeli 1,850: new crop indicated at 1,650. Brazil nuts, 3,200 CIF MEP, firm.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	915	-	922	909	16,979	847
Sep	935	-	942	929	26,525	1,998
Dec	959	-	964	953	22,934	908
Mar	985	-	990	979	27,869	881
May	1000	+1	1004	995	7,038	525
Jul	1013	-1	1017	1008	2,477	281
Total					113,060	5,731

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1286	+10	1299	1269	13,905	4,938
Sep	1322	+13	1331	1301	30,432	6,983
Dec	1358	+10	1367	1340	16,799	1,079
Mar	1390	+15	1395	1374	6,324	218
May	1408	+12	1414	1414	5,632	42
Jul	1428	+12	0	0	2,960	-
Total					80,836	13,360

■ COCOA (ICCO) (SDR's/tonne)

Jun 13	Price	Prev. day
Daily	890.59	902.12

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	2799	+8	2800	2725	13,041	1,853
Sep	2711	-2	2712	2645	15,011	2,439
Nov	2698	-15	2700	2640	3,104	267
Jan	2690	-25	2690	2637	774	246
Mar	2690	-15	-	-	492	-
May	2660	-33	2622	2622	10	2
Total					32,432	4,867

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	147.10	+0.65	151.00	146.30	14,426	5,860
Sep	148.65	+0.30	152.20	148.10	13,533	4,545
Dec	150.00	-1.45	152.10	149.75	5,017	1,161
Mar	151.50	-0.90	152.75	151.50	2,974	1,047
May	152.15	-1.40	154.00	153.75	206	6
Jul	152.65	-1.90	-	-	37	
Total					36,298	12,634

■ COFFEE (ICO) (US cents/pound)

Jun13	Price	Prev. day
Comp. daily	142.52	145.34
15 day average	145.93	146.70

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	13.69	-	-	-	2,360	-
Oct	10.56	-	-	-	-	-
Jan	13.25	-	-	-	-	-
Mar	10.10	-	-	-	2,000	-
Total					4,360	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	359.50	+1.40	361.50	357.00	12,348	748
Oct	306.10	+2.00	306.50	304.50	6,394	365
Dec	290.80	+0.60	291.50	290.00	2,967	85
Mar	286.00	-0.10	288.00	285.50	2,877	440
May	289.10	+0.10	290.10	289.00	439	60
Aug	293.10	-1.40	292.40	292.40	198	4
Total					25,361	1,702

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	11.57	+0.11	11.64	11.41	35,797	12,043
Oct	10.23	+0.01	10.30	10.22	43,681	6,062
Mar	10.01	-	10.05	10.00	24,144	2,266
May	10.06	-	10.11	10.04	7,655	189
Jul	10.07	+0.03	10.08	10.05	8,723	53
Oct	9.86	+0.03	9.89	9.85	2,863	201
Total					123,677	20,824

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	112.35	+0.65	112.70	111.25	11,788	3,070
Oct	86.60	-0.83	87.50	86.50	9,793	841
Dec	79.60	-0.47	80.15	79.45	30,081	4,090
Mar	80.65	-0.58	81.15	80.45	10,574	187
May	81.23	-0.37	81.40	81.05	3,798	37
Jul	81.30	-0.42	81.30	81.30	1,857	3
Total					68,665	8,238

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	100.90	-0.55	101.90	100.05	10,040	1,466
Sep	104.40	-0.20	105.90	103.90	11,520	1,061
Nov	105.40	+0.05	105.50	105.00	2,024	294
Jan	107.45	+0.05	107.50	107.00	2,730	53
Mar	109.65	-0.05	-	-	850	12
May	112.65	-0.05	-	-	432	5
Total					27,596	2,891

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 14	Jun 13	month ago	year ago
2269.6	2268.1	2324.5	2027.1

■ CRB Futures (Base: 1967=100)

Jun 13	Jun 12	month ago	year ago
232.68	232.79	231.67	N/A

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	63.375	-0.300	63.800	63.150	6,869	3,763
Aug	61.725	-	61.950	61.125	27,319	7,978
Oct	62.325	-0.075	62.600	61.875	13,938	2,836
Dec	63.775	-	63.825	63.200	5,814	1,512
Feb	64.425	+0.075	64.500	63.850	3,662	375
Apr	65.150	+0.050	65.200	64.775	1,943	76
Total					58,673	16,590

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	45.225	+0.450	45.350	44.900	1,843	852
Aug	44.625	-0.200	45.050	44.400	7,242	2,868
Oct	41.575	-0.125	41.900	41.400	6,913	2,082
Dec	42.600	-0.150	42.825	42.350	5,236	218
Feb	43.300	-0.175	43.700	43.250	2,472	204
Apr	42.950	-0.100	43.100	42.550	935	41
Total					25,607	6,307

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	38.050	-0.250	38.700	37.950	3,798	1,591
Aug	36.950	-0.275	37.700	36.900	3,005	830
Feb	47.525	-0.875	48.000	46.650	361	184
Mar	46.550	-1.075	47.500	46.200	40	4
May	48.700	-2.000	-	48.700	7	1
Jul	50.400	-2.000	-	50.400	13	1
Total					7,224	2,609

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1700	122	155	58	97
1750	95	130	80	121
1800	72	108	107	148
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2700	194	184	22	71
2800	125	111	51	115
2900	72	72	97	173
■ COFFEE LCE	Jul	Sep	Jul	Sep
2800	60	180	61	269
2850	40	163	91	302
2900	25	148	128	325
■ COCOA LCE	Sep	Dec	Sep	Dec
900	60	94	25	35
925	45	80	35	46
950	34	67	44	58
■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1750	-	41	-	83
1800	-	26	-	118
1850	-	17	-	159

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Aug)

		+or-
Dubai	$16.55-6.60q	-0.095
Brent Blend (dated)	$17.63-7.67	-0.135
Brent Blend (Aug)	$17.39-7.41q	-0.075
W.T.I. (1pm est)	$18.68-8.70q	-0.03

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$200-202	
Gas Oil	$155-156	+0.50
Heavy Fuel Oil	$91-93	-2
Naphtha	$185-187	
Jet fuel	$168-170	+0.50
Diesel	$154-155	-3

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

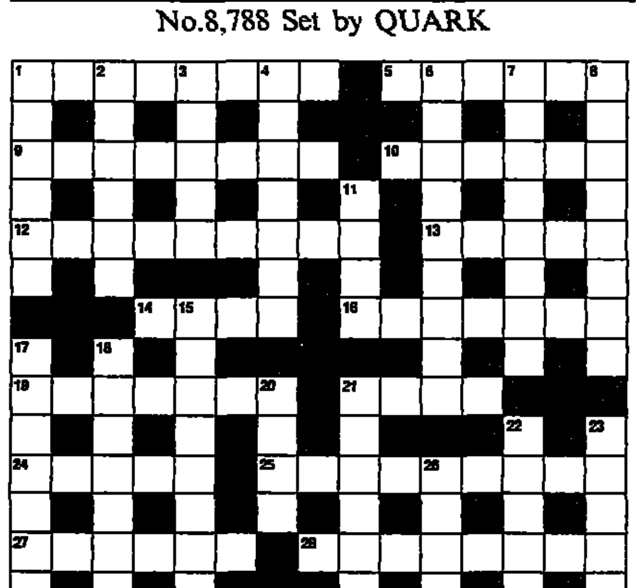
Gold (per troy oz)♣	$388.00	+0.60
Silver (per troy oz)♣	535.5c	-5.0
Platinum (per troy oz.)	$437.35	-2.15
Palladium (per troy oz.)	$159.75	+0.25
Copper (US prod.)	Unq.	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.75m	-0.14
Tin (New York)	322.5c	
Cattle (live weight)†	124.69p	+0.74*
Sheep (live weight)†♠	111.08p	-4.26*
Pigs (live weight)†	95.17p	-0.51*
Lon. day sugar (raw)	$344.2	-4.4
Lon. day sugar (wte)	$409.5	+2.5
Tate & Lyle export	£329.0	-3.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£149.5	
Wheat (US Dark North)	Unq.	
Rubber (Jul)¥	99.50p	-2.00
Rubber (Aug)¥	99.50p	-2.00
Rubber (KL RSS No1)	371.5m	
Coconut Oil (Phil)§	$682.5y	+20
Palm Oil (Malay.)§	$650.0	+2.5
Copra (Phil)§	435.0u	+7.0
Soyabeans (US)	160.0	
Cotton Outlook'A' index	106.10	-0.30
Wooltops (64s Super)	516p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jul. y Jun/Jul. q Aug ¥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices) * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,788 Set by QUARK



ACROSS
1 Plan in advance for English players (8)
5 Jack could be receiving attention (2,4)
9 Those not particularly pleased could be angriest (8)
10 Covering daybreak but not day (6)
12 Ruin poor actor's line (9)
13 Philosopher's group not on (5)
14 On the whole a forest contains it (4)
16 State train (7)
19 Drunken sot in mellow response (7)
21 Cautious when first two switch, being askew (4)
24 Act it out in the upper room (5)
25 Drink at the dance. Game? (9)
27 University learn moves having no substance (6)
28 Bright-coloured ring-bird (8)
29 Criticise without beginning to make certain (6)
30 Stone's "Branch of Mathematics" (8)

DOWN
1 Air force unit left in the battle (6)
2 Emigre transported in government system (6)
3 Trade vessel (5)
4 Honorary officer in refresher if fit for it (7)
5 Times 16, for example (9)
7 Ruffled, I get data mixed up (8)
8 In it one's in disgrace (except Rover?) (8)
11 Giant therefore arising (4)
15 It's not difficult to run the meeting in a restful setting (4,5)
17 Wild aster on the river is something valued highly (8)
18 Parvenus at university with spasmodic efforts (8)
20 Sound return (4)
21 Master comes up to tug – a vessel (7)
22 Aluminium supporting a weight not referred to scale (6)
23 Discharges the sprigs (6)
26 I'm turning up with duck in the cricket club – joking (5)

Solution 8,787

C	I	C	A	D	A		S	C	U	T	T	L	E	S
O		Y		A				O		O		O		T
L	O	C	U	S	T		C	L	A	M	B	A	K	E
L		L		H		A		O		E		T		N
A	F	A	R		P	R	A	N	K		C	H	I	C
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E		N		R		C		B		D		S		F
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L	E	A	D		H	A	M	M	Y		F	L	A	G
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INTERNATIONAL CAPITAL MARKETS

Germany falls on Bundesbank caution

By Graham Bowley in London and Lisa Bransten in New York

Disappointment over the Bundesbank's decision to leave interest rates on hold at yesterday's council meeting pushed German government bonds lower yesterday.

Although the market consensus was for no change in monetary policy at yesterday's meeting, traders reacted negatively to comments by council members, including Dr Otmar Issing, the chief economist, which suggested that the central bank would continue to be cautious towards interest rates.

A weaker US Treasury market also acted as a downward influence, as bond prices across most of the European markets slid lower.

The yield on the 10-year benchmark bund rose to 6.74 per cent, while the September bund futures contract traded on Liffe in London fell back to 94.02, down 0.24 on the day. The 10-year bund yield spread over US Treasuries settled at around 51 basis points.

Traders also cited some selling by US hedge funds of their European government bond holdings as another reason for *falling prices across Europe.*

"This selling hit the gilt and bund market earlier in the week and the French market [yesterday]," said Mr Ian Williams, gilt specialist at Kleinwort Benson in London.

The 7.5 per cent 2005 French government bond fell 0.40 to 100.09. The September notional futures contract on *Matif* settled at 114.96, down 0.52.

Dealers said that attention today will be on the G7 meeting in Canada, although trading is expected to be quiet with German financial markets closed for a holiday.

■ The weaker tone inEurope *and the US dragged UK gov*ernment bonds lower, in spite of supportive economic data.

Gilts were hardly moved by the announcement by Mr Kenneth Clarke, the chancellor, of the extension of the government's existing target for UK inflation beyond the next general election.

The announcement came in after-hours trading and was largely in line with traders' expectations.

GOVERNMENT BONDS

"It is fairly neutral for the *market," said Mr Stephen Han*nah, director of research at IBJ. "It does not suggest any easing or watering down of its commitment to keeping inflation down."

Gilts were supported in early trading by labour market statistics showing muted average earnings growth, but prices fell *back in later trade. The long* gilt future on Liffe was down $\frac{5}{32}$ at $106\frac{5}{16}$ in late trading. The 10-year yield spread over bunds was at 146 basis points, while the spread over US Treasuries stood at 197 basis points.

■ US Treasury bonds yesterday gave up some of the gains *made after Tuesday's rally as* traders took profits and tried to assess the course of monetary policy.

By midday the benchmark 30-year Treasury was down $\frac{8}{32}$ at $113\frac{3}{4}$ to yield 6.561 per cent. At the short end of the maturity spectrum, the two-year note was $\frac{1}{16}$ lower at $100\frac{27}{32}$ to *yield 5.645 per cent.*

The economic data released yesterday added to the recent string of figures showing inflationary pressures easing. But the figures did little to boost bonds because all of the news related to economic activity in the first quarter.

Bonds briefly moved higher *after the Commerce Depart*ment reported April business inventories up 0.8 per cent, slightly higher than economists' forecasts of a gain closer to 0.7 per cent. The rise in stocks on hand suggested lower demand for labour and raw materials until manufacturers work through their *excess inventories.*

Figures on non-farm productivity showed easing wage pressures. The Commerce Department reported that productivity rose 2.7 per cent, up from the previous estimate of 0.7 per cent, and that unit labour costs increased 1.6 per cent, less than the earlier esti*mate of a 3.4 per cent rise.*

Attention was focused on May capacity utilisation and industrial production data due today for clues on the economy in the second quarter.

The dollar gave little in the way of direction for the market. At midday it was mixed against the yen and the *D-Mark, trading at Y84.36 and* DM1.4003 against Y84.28 and DM1.4085 late on Tuesday.

CWB sells 70% stake in Swedish textile group

By Antonia Sharpe

CWB Capital Partners, the London-based acquisition fund which specialises in buying market-leading manufacturing companies in northern Europe, yesterday raised $93m when it sold off 70 per cent of IRO, the Swedish textile production manufacturer in an interna*tional equity offering.*

CWB bought IRO, the world's biggest producer of yarn feeding equipment, from Handel och Industri, the industrial holding company of Sweden's Svenska Handelsbanken, last December.

CWB and a consortium of shareholders retain ownership *of 25 per cent of the company's* shares, with management owning the remaining 5 per cent. CWB and the consortium will reduce their share of the equity to 15 per cent if the "greenshoe" is exercised.

Mr Knut Ramel of Merrill Lynch, which arranged the sale, said other medium-sized *Swedish companies could look* abroad to raise money. "There is increasing international *interest in these* types of companies," he said.

Sanctuary housing group raises £50m

By Simon Kuper

Hambros Bank has arranged a £50m loan for Sanctuary Housing Association. The bank claims this is the largest loan ever made to a British housing association.

The main providers of housing for the poor, associations manage more than 900,000 homes in the UK.

Hambros, which arranged the loan, will supply £20m, with £30m coming from Abbey National Treasury Services. The loan matures in three years, but is provided on a revolving basis.

Mr David Knowlton, finance director of Sanctuary, said the interest rate on the loan was "30 basis points inside the previous facility we had with NatWest".

In recent UK deals, associations have borrowed long-term funds at 150 to 170 basis points over gilt rates.

The loan is unsecured for the initial period, to make it easier for Sanctuary to draw down. Afterwards, security will comprise a floating charge, to be *replaced by fixed charges on* residential property.

The fixed charges will pro*vide an asset cover ratio of 125* per cent, which Hambros said was "amongst the lowest seen in the sector".

Housing associations have borrowed about £7bn since the Housing Act of 1988 made them partly reliant on private capital.

Mr Derek Gordon, a Hambros manager, said: "The market at the moment is the most beneficial housing associations will have seen ever."

He said there was "a huge supply" of funding, as banks were underlent, and little demand for loans, as associations had seen a fall in government grants from £1.8bn in 1993-94 to £1.18bn this year.

Mr Knowlton said banks had become more willing to lend since one or two UK associations, including Sanctuary, had applied for credit ratings. He said: "This deal wasn't difficult to put together with Hambros and Abbey National."

He said Sanctuary was considering another US bond issue. Last November, it became the first housing association to raise funds on the American market, with a $75m issue.

The association, which manages more than 21,000 homes and is based in Hertford, is among the 10 largest housing associations in the UK.

British Gas offers to buy back 50-year issue

By Antonia Sharpe

British Gas yesterday offered to buy back the £200m offering of 50-year eurobonds issued at the beginning of last year and replace them with a £200m issue of 30-year eurobonds.

Tax was widely seen as the main motive behind the deal, which is being arranged by HSBC.

INTERNATIONAL BONDS

British Gas stands to make a tax-free gain of as much as £36m if it buys back all the 50-year bonds. They had been issued at par but have since dropped to about 82.

The buy-back comes two weeks after the Inland Revenue announced changes to the taxation of UK government bonds and corporate bonds.

At present no capital gains *tax is charged on profits made* when bonds are bought or sold. However, the Inland Revenue proposes to tax total returns earned on holdings of all bonds, charging tax on both interest payments and on any capital gain.

An official at British Gas acknowledged that the exchange worked in favour of the company but said tax was not the main reason but the need for new funding. If all the old bonds are bought back, British Gas will increase its net borrowing by £40m.

HSBC said the buy-back provided a way out for holders of the 50-year bonds, which have become illiquid. HSBC is offering to buy them back at a yield of 47 basis points over the 8¾ per cent gilt due 2017. They had traded at a margin of 59 basis points before the deal was announced.

Syndicate managers said investors were likely to sell back their bonds but it remained to be seen whether they would all switch into the new 30-year issue, which looked expensive at a margin of 53 basis points over gilts.

They noted that 30-year bonds issued by Eastern, seen by some as a better credit, were trading in the high 50s.

Elsewhere, there were rumblings that Tennessee Valley Authority had jeopardised the success of its debut global bond offering by raising it to $2bn from $1.5bn.

Although the spread was holding, dealers said there were loose bonds in the market. TVA said the increase reflected the strong demand for the bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
YEN							
KfW International Finance♦	30bn	2.50	100.175	Jul.2001	0.275	-	Mitsubishi Finance Intl.
STERLING							
British Gas(a)	200	(a1)	(a1)L	Jun.2025	0.625L	+53(8¾%-17)	HSBC Markets
D-MARKS							
Depo International Finance	100	7.125	102.35	Jul.2005	3.00	-	DG Bank
FRENCH FRANCS							
Sanofi(b)§	3.5bn	4.00	(b1)	Jan.2000	2.50	-	Société Générale
GUILDERS							
Ford Motor Credit Corp.	200	6.375	99.94R	Jul.2000	0.30R	+40(9%-00)	ABN Amro Hoare Govett
CANADIAN DOLLARS							
Province of New Brunswick	150	7.625	99.55R	Jul.2000	0.275R	+28(8½%-00)	Wood Gundy
GEC Canada	100	8.00	99.15R	Jul.2005	0.325R	+15(9%-04)	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ♦Unlisted. R: fixed re-offer price; fees shown at re-offer level. L: Pricing level. a) Spens call provision applies. a1) Priced today. b) Conversion price: FFr310. Callable from 1/1/99, subject to 110% protection, at FFr335.79. Redeemed on 1/1/00 at FFr344.21: b1) FFr310 per bond.

Meff cleared for US investors

Meff Renta Fija, the Spanish futures and options exchange based in Barcelona, has obtained permission from the US Commodity Futures Trading Commission to allow US investors to trade its options, writes Graham Bowley.

Government bond and Mad*rid interbank offered rate* (Mibor) option contracts traded on Meff may now be offered to US investors. Government bond and Mibor futures contracts can already be sold directly into the US.

Waterford Wedgwood loan

By Graham Bowley

Waterford Wedgwood, the Irish glass and crystal group, yesterday signed a £180m five-year multi-currency syndicated loan with a group of 13 international banks.

The deal, arranged by NatWest Markets and the Bank of *Ireland, replaces existing bor*rowings. The new terms reflect the company's improved financial health, a spokesman said.

The loan will also be used for the expansion of Waterford Crystal and Wedgwood's *ceramics business, including* possible future acquisitions.

The company will pay a margin on the facility of 67½ basis points over the London interbank offered rate, falling to 50 points depending on financial performance, and a commitment fee of 32½ basis points, which may fall to 25 points.

Mr Richard Barnes, group finance director, said: "Waterford Wedgwood is delighted to put in place such an important facility, offering significantly improved flexibility at favourable terms to the group."

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	91.1100	+0.680	8.85	8.74	9.37
Austria		7.000	05/05	100.5000	+1.230	6.93	6.88	7.24
Belgium		6.500	03/05	94.2000	+0.050	7.35	7.15	7.76
Canada *		8.750	12/05	106.3000	+0.700	7.85	7.93	8.25
Denmark		7.000	12/04	91.4800	−0.360	8.32	8.04	8.55
France	BTAN	7.750	04/00	102.7500	−0.250	7.05	6.85	7.20
	OAT	7.500	04/05	100.0900	−0.400	7.48	7.32	7.65
Germany Bund		6.875	05/05	100.9000	−0.300	6.74	6.54	6.98
Ireland		8.250	10/04	86.1000	−0.100	8.45	8.23	8.76
Italy		9.500	01/05	85.1200	−0.380	12.16†	11.86	12.25
Japan	No 129	6.400	03/00	118.4530	−0.340	2.12	1.99	2.61
	No 174	4.600	09/04	112.1530	−0.370	2.93	2.81	3.40
Netherlands		7.000	06/05	100.9800	−0.140	6.86	6.67	7.04
Portugal		11.875	02/05	99.4000	+0.300	11.96	11.85	12.24
Spain		10.000	02/05	90.7800	−0.680	11.59	11.31	11.67
Sweden		6.000	02/05	73.1180	−0.520	10.57	10.25	10.97
UK Gilts		6.000	08/99	93−31	−7/32	7.74	7.42	8.06
		8.500	12/05	103−03	−14/32	8.05	7.77	8.28
		9.000	10/08	107−09	−14/32	8.09	7.82	8.32
US Treasury *		6.500	05/05	102−18	+8/32	6.15	6.10	6.72
		7.625	02/25	113−24	+17/32	6.57	6.51	7.05
ECU (French Govt)		6.000	04/04	88.8200	−0.240	7.79	7.61	8.04

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	5.53	Two year	5.86
Prime rate	9	Two month	5.64	Three year	5.78
Broker loan rate	6½	Three month	5.81	Five year	5.90
Fed.funds	6	Six month	5.64	10-year	6.16
Fed.funds at intervention	-	One year	5.60	30-year	6.57

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	116.08	115.34	-0.52	116.14	115.18	172,476	45,853
Sep	115.70	114.96	-0.52	115.76	114.82	57,903	117,056
Dec	115.58	114.76	-0.52	115.58	114.76	57	2,309

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Sep	Calls Dec	Puts Jul	Puts Sep	Puts Dec
114	1.25	-	-	0.29	0.94	-
115	0.59	1.34	-	0.67	1.34	-
116	0.21	0.94	-	1.28	1.86	-
117	0.08	0.50	-	-	-	-
118	0.04	0.33	-	-	-	-

Est. vol. total, Calls 13,845 Puts 16,027. Previous day's open int., Calls 157,425 Puts 135,055.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.70	94.04	-0.22	94.73	93.80	212851	178269
Dec	94.00	93.52	-0.23	94.00	93.49	248	5922

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9400	0.41	0.81	1.02	1.16	0.37	0.77	0.98	1.64
9450	0.20	0.58	0.79	0.96	0.66	1.04	1.25	1.94
9500	0.08	0.40	0.60	0.77	1.04	1.36	1.56	2.25

Est. vol. total, Calls 23114 Puts 15076. Previous day's open int., Calls 188356 Puts 138729

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.10	98.32	-0.45	99.25	98.10	35826	37376
Dec		97.92	-0.45			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
9800	2.15	2.80	1.83	2.88
9850	1.87	2.57	2.05	3.15
9900	1.61	2.35	2.29	3.43

Est. vol. total, Calls 1700 Puts 828. Previous day's open int., Calls 29028 Puts 18361

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	86.62	85.54	-0.62	86.62	85.32	64,012	22,200
Sep	86.38	85.25	-0.94	86.38	85.17	8,489	15,345

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	107-11	106-22	-0-13	107-17	106-19	305	15217
Sep	106-30	106-05	-0-13	107-04	105-31	70999	99927

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
106	0-48	1-25	1-47	2-12	0-36	1-13	1-35	2-32
107	0-20	0-58	1-16	1-48	1-08	1-46	2-04	3-04
108	0-07	0-36	0-56	1-25	1-59	2-24	2-44	3-45

Est. vol. total, Calls 11879 Puts 4300. Previous day's open int., Calls 39545 Puts 38962

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	86.44	85.88	-0.32	86.44	85.78	3,110	6,680
Sep	86.24	85.66	-0.32	86.24	85.60	2,363	3,890

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	114-21	114-13	-0-06	114-27	114-05	49,997	75,400
Sep	114-12	114-03	-0-05	114-18	113-26	487,870	332,564
Dec	114-02	113-21	-0-04	114-02	113-13	1,376	18,432

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.84			118.95	118.80	1815	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jun 14	Day's change %	Tue Jun 13	Accrued interest	xd adj. ytd		Low coupon yield Jun 14	Jun 13	Yr. ago	Medium coupon yield Jun 14	Jun 13	Yr. ago	High coupon yield Jun 14	Jun 13	Yr. ago
1 Up to 5 years (23)	121.35	−0.05	121.64	1.89	5.00	5 yrs	7.82	7.79	8.16	7.83	7.79	8.37	7.89	7.84	8.46
2 5-15 years (21)	144.21	−0.27	144.61	1.58	6.24	15 yrs	8.08	8.04	8.46	8.11	8.05	8.57	8.22	8.16	8.89
3 Over 15 years (9)	162.48	−0.48	163.22	2.21	6.08	20 yrs	8.08	8.04	8.42	8.11	8.06	8.57	8.20	8.13	8.72
4 Irredeemables (6)	184.84	−0.79	186.30	1.54	6.36	Irred.†	8.16	8.09	8.54						
5 All stocks (59)	140.67	−0.24	141.09	1.82	5.82										

Index-linked							Inflation 5% Jun 14	Jun 13	Yr. ago	Inflation 10% Jun 14	Jun 13	Yr. ago
6 Up to 5 years (2)	195.46	+0.01	195.45	1.04	2.57	Up to 5 yrs	3.30	3.29	3.71	1.83	1.81	2.62
7 Over 5 years (11)	184.84	−0.08	184.99	1.01	2.20	Over 5 yrs	3.64	3.63	3.83	3.45	3.44	3.63
8 All stocks (13)	185.05	−0.07	185.18	1.00	2.22							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jun 14	Jun 13	Jun 12	Jun 9	Jun 8	Yr ago	High*	Low*
Govt. Secs. (UK)	93.58	93.79	93.18	93.45	94.38	92.38	95.51	90.22
Fixed Interest	112.96	112.55	112.62	113.34	114.13	109.12	114.86	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jun 13	Jun 12	Jun 9	Jun 8	Jun 7
Gilt Edged bargains	97.7	77.7	87.7	94.0	82.2
5-day average	87.8	86.4	101.5	101.4	100.4

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or −	1995 High	1995 Low
Shorts* (Lives up to Five Years)							
Exch 10¼pc 1995		10.20	6.17	100⅜xd	—	101⅞	100½
Treas 12¾pc 1995‡‡		12.43	6.36	102⅝	—	104⅞	102⅝
14pc 1996		13.41	6.43	104⅜	—	106⅞	104⅜
15¼pc 1996‡‡		14.21	6.50	107⅜	—	109⅝	107⅜
Exch 13¼pc 1996‡‡		12.53	6.56	105¾	—	107¼	105¾
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or −	1995 High	1995 Low
Treas 6¾pc 2004‡‡		7.41	8.09	91⅛	−⅞	93⅜	85⅞
Conv 9½pc 2005		8.70	8.10	109⅞	−⅞	111⅜	103⅝
Treas 12½pc 2003-5		9.91	8.13	126⅜	−⅜	128⅜	119⅜
Treas 8½pc 2005‡‡		8.25	8.06	103⅛	−⅜	105⅜	97⅝
7¾pc 2006‡‡		7.96	8.13	97⅜	[illegible]	[illegible]	[illegible]
[illegible]							

	Notes	Yield (1)	Yield (2)	Price £	+ or −	1995 High	1995 Low
Index-Linked	(b)						
2pc '96	(67.9)	1.48	3.39	210⅜	—	211	207⅛
4⅝pc '98‡‡	(135.6)	2.24	3.16	111⅜	—	112⅛	106⅜
2½pc '01	(78.3)	3.02	3.45	175⅝	−⅛	176⅞	165⅜
2½pc '03	(78.8)	3.17	3.51	171⅜	−⅛	173⅜	161⅜
[illegible]							

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on June 14

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	98⅜	98⅝	+⅛	6.05
Abbey Natl Treasury 6½ 03	1000	98⅜	98¾	+⅛	6.77
ABN Ambro Bank 7¼ 05	1000	102½	102⅞	+½	7.02
United Kingdom 7⅛ 97	5500	104⅛	104¼	+⅛	5.21
Volkswagen Intl Fin 7 03	1000	99⅛	99¾	+⅛	7.15
World Bank 0 15	2000	23⅝	24	+⅛	7.29
World Bank 5⅞ 03	3000	93⅞	94	+¼	6.85
Abbey Natl Treasury 8 03 £	1000	98⅜	98⅝	−¼	8.65
Alliance Leics 11⅞ 97 £	100	106⅛	106⅜		7.78
British Land 8⅞ 23 £	150	92⅜	92¾	−½	9.90
Denmark 6⅜ 98 £	800	97	97⅜	−⅛	7.83
[illegible]					

CURRENCIES AND MONEY

MARKETS REPORT

Buba comments on interest rates worry markets

Markets were yesterday unnerved by comments from senior Bundesbank officials which prompted a rethink on the outlook for German interest rates, *writes Philip Gawith.*

The central bank's decision to leave rates on hold after its council meeting was not unexpected, but comments from Mr Otmar Issing, the chief economist, that inflation dangers remained, while M3 was rising, were taken as hawkish by the market.

The prospect of German rates staying unchanged longer than had previously been anticipated put the dollar under some pressure. It finished in London at DM1.3974 from DM1.4044, and at Y84.265 from Y84.16.

The overall currency market picture remained one of range trading ahead of the G7 summit, which starts in Halifax tomorrow. With the dollar stuck in a fairly narrow range, little independent action is likely on the European crosses, or from sterling.

The D-Mark was slightly lower in Europe, finishing at FFr3.508 against the French franc from FFr3.521.

Sterling had a good day, making up ground against both the D-Mark and dollar. It closed at DM2.2496, from DM2.2394, and $1.6099 from $1.5946. The trade weighted index rose to 84.7 from 84.3.

■ A hint of what to expect from the Bundesbank came early in the day when Mr Ernst Weltek, president of the regional central bank in Hessen/Thueringen told reporters: "Interest rate decisions are rather unlikely at council meetings outside of Frankfurt." The Bundesbank council met in Magdeburg, part of the former East Germany.

What later emerged was perhaps not as remarkable as the market made out. Ms Alison Cottrell, analyst at Paine Webber in London, said what was most noticeable about the press conference that followed the meeting was the complete lack of content. She surmised that this reflected a lack of consensus in the council, with vague generalities being the easiest way to paper over differences.

"Their neutral stance is always slightly cautious," said Ms Cottrell.

The Paine Webber analyst also said the market's concerns appeared slightly misplaced. "The market has taken a set of comments that say nothing in a very negative light," she said. This was particularly the case regarding Mr Issing's comments that M3 growth was on an upward trend.

Ms Cottrell argues that with M3 growth actually negative recently, and well below the 4-6 per cent target range, the Bundesbank would actually welcome it rising. "They have no more desire to miss their target on the down side than on the upside," she said.

Her conclusion was that nothing the Bundesbank had said told the market anything it did not already know. Nor, she added, had any of their comments given a sense of the likely timing of a move in interest rates.

Mr Robin Marshall, chief economist at Chase Manhattan in London, said the Bundesbank had simply confirmed it was "as stingy as ever in terms of their easing schedule." He said he was in little doubt German rates would be cut again, but predicted a "slow grind down".

■ Whether this trend will help the dollar is open to doubt. As Mr Marshall notes, for the first time in five years, the three leading economies are all faltering at once. This presents an argument, he says, for a generalised reflation, so relative interest rate differentials may stay substantially unchanged.

■ The confirmation of the government's 1-4 per cent inflation target appeared to lend further support to sterling in late trading. Some of the earlier rally in sterling/dollar was attributed by traders to options-related short covering.

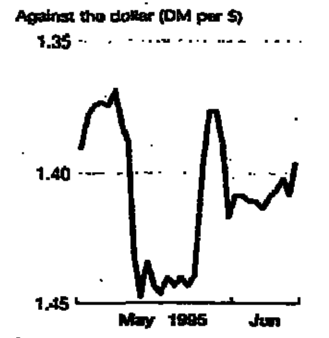
Mr Marshall at Chase said sterling's stable performance probably owed something to a rebuilding of the credibility of Mr Kenneth Clarke, the chancellor, over the past month. Renewed talk of a leadership challenge to the prime minister, however, will probably cap any upside gains.

In its daily operations the Bank of England provided £205m late assistance, and £114m at established rates, after forecasting a £550m shortage.

Futures prices lost ground in line with gilts and bunds, with the December short sterling contract closing at 92.86 from 92.92.

D-Mark

Against the dollar (DM per $)



Source: Datastream

■ **Pound in New York**

Jun 14	Latest	Prev close
£ spot	1.6120	1.5958
1 mth	1.6117	1.5954
3 mth	1.6039	1.5937
1 yr	1.5930	1.5773

■ **OTHER CURRENCIES**

Jun 14	£	$
Hungary	196.552 - 196.715	122.120 - 122.170
Iran	4830.60 - 4823.50	3000.00 - 3000.00
Kuwait	0.4811 - 0.4814	0.2989 - 0.2990
Poland	3.7617 - 3.7771	2.3372 - 2.3430
Russia	7672.60 - 7674.10	4765.30 - 4768.00
U.A.E.	5.9105 - 5.9142	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jun 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8182	+0.0716	096 - 267	15.8412	15.7780	15.7951	1.8	15.7478	1.8	-	-	107.3
Belgium	(BFr)	46.1947	+0.1681	760 - 127	46.2930	46.1430	46.1297	1.7	45.9997	1.7	45.3897	1.7	109.9
Denmark	(DKr)	8.7657	-0.0211	610 - 704	8.7863	8.7533	8.7033	-0.5	8.7611	0.2	8.7302	0.4	110.4
Finland	(FM)	6.8910	+0.0244	879 - 941	6.9380	6.8750	-	-	-	-	-	-	87.4
France	(FFr)	7.8931	-0.009	898 - 964	7.9140	7.8761	7.9009	-1.2	7.9116	-0.9	7.8792	0.2	108.8
Germany	(DM)	2.2496	+0.0102	485 - 506	2.2546	2.2450	2.2462	1.8	2.2378	2.1	2.1955	2.4	112.2
Greece	(Dr)	363.231	+0.966	071 - 390	364.319	361.292	-	-	-	-	-	-	68.8
Ireland	(I£)	0.9822	+0.0039	817 - 827	0.9838	0.9792	0.9818	0.5	0.9816	0.2	0.9819	0.0	97.4
Italy	(L)	2635.32	-12.91	314 - 751	2653.41	2622.25	2644.82	-4.3	2662.32	-4.1	2733.82	-3.7	67.3
Luxembourg	(LFr)	46.1947	+0.1681	766 - 127	46.2930	46.1430	46.1297	1.7	45.9997	1.7	45.3897	1.7	109.9
Netherlands	(Fl)	2.5168	+0.0105	156 - 179	2.5239	2.5121	2.5127	2.0	2.509	1.2	2.4560	2.4	109.7
Norway	(NKr)	10.0060	+0.0373	998 - 122	10.0234	9.9782	9.9973	1.0	9.9737	1.3	9.8464	1.6	99.2
Portugal	(Es)	236.487	+0.653	275 - 699	237.085	236.207	235.622	4.4	238.792	-3.9	-	-	95.8
Spain	(Pta)	194.824	+0.426	701 - 947	195.182	194.424	195.324	-3.1	196.399	-3.2	201.424	-3.4	81.2
Sweden	(SKr)	11.6478	+0.09	372 - 583	11.6805	11.5462	11.6501	-0.2	11.6546	-0.2	11.6732	-0.2	77.9
Switzerland	(SFr)	1.8561	+0.0099	553 - 568	1.8588	1.8526	1.8512	3.2	1.8413	3.2	1.7929	3.4	113.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.7
Ecu	-	1.2165	+0.0024	157 - 172	1.2196	1.2152	1.2166	0.0	1.2153	0.4	1.2081	0.7	-
SDR†	-	1.019310	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6098	+0.0153	093 - 102	1.6102	1.5935	-	-	-	-	-	-	-
Brazil	(R$)	1.4594	-0.0005	582 - 605	1.6100	1.4485	-	-	-	-	-	-	-
Canada	(C$)	2.2257	+0.0192	248 - 266	2.2268	2.2011	2.2282	-1.3	2.2309	-0.9	2.2218	0.2	81.7
Mexico	(New Peso)	10.0052	+0.1266	789 - 315	10.0420	9.8534	-	-	-	-	-	-	-
USA	($)	1.6099	+0.0153	095 - 102	1.6104	1.5935	1.6095	0.3	1.608	0.5	1.5918	1.1	88.3
Pacific/Middle East/Africa													
Australia	(A$)	2.2315	+0.0145	302 - 327	2.2331	2.2302	2.2337	-1.2	2.2371	-1.0	2.2464	-0.7	77.8
Hong Kong	(HK$)	12.4530	+0.1206	495 - 565	12.4574	12.3257	12.449	0.4	12.4396	0.4	12.3727	0.6	-
India	(Rs)	50.5453	+0.4828	303 - 603	50.5780	50.0390	-	-	-	-	-	-	-
Israel	(Shk)	4.7837	+0.0162	786 - 887	4.7896	4.7587	-	-	-	-	-	-	-
Japan	(Y)	135.654	+1.452	584 - 724	135.750	134.580	135.044	5.4	133.779	5.5	127.914	5.7	170.1
Malaysia	(M$)	3.9249	+0.0359	232 - 265	3.9275	3.8917	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3969	+0.0167	951 - 986	2.3991	2.3951	2.4017	-2.4	2.4108	-2.3	2.4274	-1.3	98.5
Philipines	(Peso)	41.3330	+0.3278	032 - 627	41.5326	41.1962	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0378	+0.0572	361 - 394	6.0395	5.9766	-	-	-	-	-	-	-
Singapore	(S$)	2.2433	+0.0212	420 - 446	2.2455	2.2220	-	-	-	-	-	-	-
South Africa	(R)	5.9013	+0.0519	988 - 038	5.9051	5.8465	-	-	-	-	-	-	-
South Korea	(Won)	1229.36	+14.67	901 - 971	1230.70	1214.08	-	-	-	-	-	-	-
Taiwan	(T$)	41.5164	+0.4746	929 - 399	41.5461	41.0298	-	-	-	-	-	-	-
Thailand	(Bt)	39.8667	+0.3917	420 - 914	39.7040	39.2850	-	-	-	-	-	-	-

† Rates for Jun 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J P Morgan index
Europe													
Austria	(Sch)	9.8269	-0.0491	227 - 290	9.9250	9.8185	9.8139	1.5	9.7939	1.3	9.6934	1.3	107.1
Belgium	(BFr)	28.6950	-0.169	900 - 000	29.0000	28.6850	28.66	1.5	28.605	1.3	28.485	0.7	109.5
Denmark	(DKr)	5.4451	-0.0388	433 - 468	5.5094	5.4430	5.4489	-0.8	5.4571	-0.9	5.4926	-0.9	109.0
Finland	(FM)	4.2805	-0.0257	795 - 815	4.3312	4.2750	4.2787	0.5	4.2755	0.5	4.275	0.1	86.1
France	(FFr)	4.9030	-0.0413	020 - 040	4.9615	4.9020	4.9095	-1.6	4.9219	-1.5	4.952	-1.0	107.9
Germany	(DM)	1.3974	-0.007	970 - 977	1.4150	1.3965	1.3956	1.5	1.3919	1.6	1.3786	1.3	111.5
Greece	(Dr)	225.630	-1.54	580 - 680	228.700	225.520	227.63	-10.6	231.38	-10.2	247.13	-9.5	67.7
Ireland	(I£)	1.6390	-0.009	385 - 395	1.6405	1.6243	1.6396	-0.4	1.6414	-0.6	1.6452	-0.4	-
Italy	(L)	1637.00	-23.75	600 - 800	1664.00	1635.00	1643.5	-4.8	1656.25	-4.7	1716.5	-4.9	68.3
Luxembourg	(LFr)	28.6950	-0.169	900 - 000	29.0000	28.6850	28.66	1.5	28.605	1.3	28.485	0.7	109.5
Netherlands	(Fl)	1.5634	-0.0084	630 - 637	1.5798	1.5625	1.5613	1.6	1.5574	1.5	1.5452	1.2	109.1
Norway	(NKr)	6.2155	-0.036	130 - 180	6.2852	6.2126	6.2167	-0.2	6.2095	0.4	6.202	0.2	97.9
Portugal	(Es)	146.900	-0.87	800 - 000	148.830	146.740	147.35	-3.7	148.35	-3.9	154.15	-4.9	95.8
Spain	(Pta)	121.020	-0.89	970 - 070	122.320	120.960	121.36	-3.4	122.16	-3.8	126.495	-4.5	80.7
Sweden	(SKr)	7.2353	-0.0128	303 - 403	7.3144	7.2210	7.251	-2.6	7.2868	-2.8	7.4728	-3.3	77.5
Switzerland	(SFr)	1.1530	-0.0048	527 - 532	1.1662	1.1518	1.1502	2.9	1.1451	2.7	1.1258	2.4	112.9
UK	(£)	1.6099	+0.0153	095 - 102	1.6104	1.5935	1.6095	0.3	1.608	0.5	1.5918	1.1	83.9
Ecu	-	1.3234	+0.01	229 - 239	1.3242	1.3091	1.3232	0.1	1.3231	0.1	1.3191	0.3	-
SDR†	-	0.63799	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.9065	-0.009	060 - 070	0.9070	0.9055	-	-	-	-	-	-	-
Canada	(C$)	1.3826	-0.0012	823 - 828	1.3835	1.3787	1.3841	-1.3	1.3873	-1.3	1.3991	-1.2	80.3
Mexico	(New Peso)	6.2150	+0.02	000 - 300	6.2300	6.2000	6.2172	-0.4	6.2204	-0.4	6.2253	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	90.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3860	-0.0042	856 - 866	1.3896	1.3855	1.3876	-1.4	1.3915	-1.6	1.4127	-1.9	79.0
Hong Kong	(HK$)	7.7355	+0.0016	350 - 360	7.7365	7.7345	7.7337	0.3	7.7332	0.1	7.749	-0.2	-
India	(Rs)	31.3875	+0.0025	950 - 000	31.4150	31.3900	31.4775	-3.1	31.7225	-4.1	-	-	-
Israel	(Shk)	2.9715	-0.017	690 - 740	2.9950	2.9986	-	-	-	-	-	-	-
Japan	(Y)	84.2650	+0.105	400 - 900	85.0500	84.2100	83.91	5.1	83.2	5.1	80.295	4.7	171.4
Malaysia	(M$)	2.4380	-0.0012	375 - 385	2.4435	2.4374	2.436	1.0	2.4336	0.7	2.428	0.4	-
New Zealand	(NZ$)	1.4888	-0.0037	881 - 896	1.5030	1.4878	1.4922	-2.7	1.499	-2.7	1.5182	-2.0	-
Philipines	(Peso)	25.6750	-0.04	000 - 500	25.7500	25.6000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7502	3.7515	-0.3	3.7536	-0.3	3.7655	-0.4	-
Singapore	(S$)	1.3935	-	930 - 940	1.3953	1.3930	1.3882	4.5	1.38	3.9	1.3535	2.9	-
South Africa	(R)	3.6658	-0.0025	650 - 665	3.6790	3.6640	3.6868	-6.9	3.7378	-7.9	3.9938	-8.9	-
South Korea	(Won)	763.650	+1.9	600 - 700	763.700	761.900	766.65	-4.7	770.15	-3.4	788.65	-3.3	-
Taiwan	(T$)	25.7890	+0.051	800 - 980	25.8000	25.7495	25.809	-0.9	25.849	-0.9	-	-	-
Thailand	(Bt)	24.6400	+0.01	300 - 500	24.6700	24.6300	24.661	-1.0	24.6875	-0.8	24.775	-0.5	-

† SDR rate per $ for Jun 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 13. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

June 14	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	$4\frac{1}{2}$	$4\frac{5}{8}$	$4\frac{5}{8}$	$4\frac{5}{8}$	$4\frac{5}{8}$	7.40	4.00	-
week ago	$4\frac{1}{2}$	$4\frac{5}{8}$	$4\frac{5}{8}$	$4\frac{3}{4}$	5	7.40	4.00	-
France	$7\frac{1}{4}$	$7\frac{1}{2}$	$7\frac{1}{4}$	$6\frac{7}{8}$	$6\frac{5}{8}$	5.00	-	8.00
week ago	$7\frac{1}{4}$	$7\frac{1}{2}$	$7\frac{1}{4}$	$6\frac{7}{8}$	$6\frac{5}{8}$	5.00	-	8.00
Germany	$4\frac{1}{2}$	$4\frac{1}{2}$	$4\frac{1}{2}$	$4\frac{1}{2}$	$4\frac{1}{2}$	6.00	4.00	4.50
week ago	$4\frac{1}{2}$	$4\frac{1}{2}$	$4\frac{9}{16}$	$4\frac{1}{2}$	$4\frac{1}{2}$	6.00	4.00	4.51
Ireland	$6\frac{1}{4}$	$6\frac{1}{4}$	$6\frac{1}{2}$	$6\frac{5}{8}$	$6\frac{7}{8}$	-	-	6.25
week ago	$6\frac{1}{4}$	$6\frac{1}{4}$	$6\frac{1}{2}$	$6\frac{5}{8}$	$6\frac{7}{8}$	-	-	6.25
Italy	$10\frac{1}{2}$	$10\frac{5}{8}$	$10\frac{11}{16}$	11	$11\frac{1}{4}$	-	7.50	10.40
week ago	$10\frac{1}{2}$	$10\frac{5}{8}$	$10\frac{3}{4}$	$10\frac{3}{4}$	$10\frac{7}{8}$	-	7.50	10.40
Netherlands	$4\frac{1}{4}$	$4\frac{3}{8}$	$4\frac{3}{8}$	$4\frac{1}{4}$	$4\frac{3}{8}$	-	5.25	-
week ago	$4\frac{1}{4}$	$4\frac{3}{8}$	$4\frac{3}{8}$	$4\frac{3}{8}$	$4\frac{3}{8}$	-	5.25	-
Switzerland	$2\frac{3}{4}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{1}{4}$	6.625	3.00	-
week ago	3	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{3}{16}$	$3\frac{1}{4}$	6.625	3.00	-
US	$6\frac{1}{8}$	6	6	$5\frac{7}{8}$	$5\frac{7}{8}$	-	5.25	-
week ago	6	6	$5\frac{7}{8}$	$5\frac{3}{4}$	$5\frac{11}{16}$	-	5.25	-
Japan	$1\frac{1}{2}$	$1\frac{3}{8}$	$1\frac{1}{4}$	$1\frac{1}{4}$	$1\frac{1}{8}$	-	1.00	-
week ago	$1\frac{1}{4}$	$1\frac{1}{2}$	$1\frac{1}{4}$	$1\frac{3}{16}$	$1\frac{1}{8}$	-	1.00	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	$6\frac{1}{16}$	$6\frac{1}{16}$	$5\frac{7}{8}$	$5\frac{3}{4}$	-	-	-
week ago	-	$6\frac{1}{8}$	$5\frac{15}{16}$	$5\frac{13}{16}$	$5\frac{3}{4}$	-	-	-
US Dollar CDs	-	5.78	5.72	5.64	5.62	-	-	-
week ago	-	5.78	5.73	5.61	5.58	-	-	-
ECU Linked Ds	-	$6\frac{1}{8}$	$6\frac{1}{8}$	$6\frac{1}{8}$	$6\frac{1}{8}$	-	-	-
week ago	-	$6\frac{1}{8}$	$6\frac{1}{8}$	$6\frac{1}{8}$	$6\frac{1}{4}$	-	-	-
SDR Linked Ds	-	$3\frac{7}{8}$	$3\frac{7}{8}$	$3\frac{7}{8}$	$3\frac{7}{8}$	-	-	-
week ago	-	$3\frac{7}{8}$	$3\frac{7}{8}$	$3\frac{7}{8}$	$3\frac{7}{8}$	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$4\frac{11}{16}$ - $4\frac{9}{16}$	$4\frac{11}{16}$ - $4\frac{9}{16}$	$4\frac{5}{8}$ - $4\frac{1}{2}$	$4\frac{3}{4}$ - $4\frac{5}{8}$	$4\frac{13}{16}$ - $4\frac{11}{16}$	$5\frac{1}{16}$ - $4\frac{15}{16}$
Danish Krone	$6\frac{1}{2}$ - 6	$6\frac{5}{8}$ - $6\frac{3}{8}$	$6\frac{11}{16}$ - $6\frac{1}{2}$	$6\frac{15}{16}$ - $6\frac{1}{2}$	$6\frac{11}{16}$ - $6\frac{9}{16}$	$6\frac{3}{4}$ - $6\frac{5}{8}$
D-Mark	$4\frac{9}{16}$ - $4\frac{7}{16}$	$4\frac{9}{16}$ - $4\frac{7}{16}$	$4\frac{1}{2}$ - $4\frac{3}{8}$	$4\frac{7}{16}$ - $4\frac{5}{16}$	$4\frac{7}{16}$ - $4\frac{5}{16}$	$4\frac{1}{2}$ - $4\frac{3}{8}$
Dutch Guilder	$4\frac{3}{8}$ - $4\frac{1}{4}$	$4\frac{3}{8}$ - $4\frac{1}{4}$	$4\frac{3}{8}$ - $4\frac{1}{4}$	$4\frac{3}{8}$ - $4\frac{1}{4}$	$4\frac{3}{8}$ - $4\frac{1}{4}$	$4\frac{5}{8}$ - $4\frac{1}{2}$
French Franc	$7\frac{1}{2}$ - $7\frac{1}{8}$	$7\frac{1}{2}$ - $7\frac{1}{8}$	$7\frac{7}{16}$ - $7\frac{5}{16}$	$7\frac{3}{16}$ - $7\frac{1}{16}$	7 - $6\frac{7}{8}$	$6\frac{11}{16}$ - $6\frac{9}{16}$
Portuguese Esc.	$9\frac{1}{16}$ - $8\frac{7}{8}$	$9\frac{1}{8}$ - 9	$9\frac{1}{2}$ - $9\frac{3}{8}$	$10\frac{1}{8}$ - $9\frac{15}{16}$	$10\frac{9}{16}$ - $10\frac{5}{16}$	11 - $10\frac{3}{4}$
Spanish Peseta	$9\frac{9}{16}$ - $9\frac{7}{16}$	$9\frac{9}{16}$ - $9\frac{7}{16}$	$9\frac{9}{16}$ - $9\frac{7}{16}$	$9\frac{15}{16}$ - $9\frac{13}{16}$	$10\frac{3}{16}$ - $10\frac{1}{16}$	$10\frac{5}{8}$ - $10\frac{1}{2}$
Sterling	$6\frac{7}{8}$ - $6\frac{5}{8}$	$6\frac{3}{4}$ - $6\frac{5}{8}$	$6\frac{3}{4}$ - $6\frac{5}{8}$	$6\frac{15}{16}$ - $6\frac{13}{16}$	$6\frac{13}{16}$ - $6\frac{11}{16}$	$7\frac{1}{8}$ - 7
Swiss Franc	$3\frac{1}{16}$ - $2\frac{15}{16}$	$3\frac{1}{8}$ - 3	$3\frac{1}{8}$ - 3	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{3}{8}$ - $3\frac{1}{4}$
Can. Dollar	$7\frac{1}{8}$ - $6\frac{15}{16}$	$7\frac{1}{8}$ - $6\frac{15}{16}$	$7\frac{1}{16}$ - $6\frac{15}{16}$	$6\frac{15}{16}$ - $6\frac{13}{16}$	$6\frac{3}{4}$ - $6\frac{5}{8}$	$6\frac{3}{4}$ - $6\frac{5}{8}$
US Dollar	$6\frac{1}{8}$ - 6	$6\frac{1}{16}$ - $5\frac{15}{16}$	$6\frac{1}{16}$ - $5\frac{15}{16}$	$6\frac{1}{16}$ - $5\frac{15}{16}$	6 - $5\frac{7}{8}$	$5\frac{15}{16}$ - $5\frac{13}{16}$
Italian Lira	$10\frac{1}{2}$ - 10	$10\frac{9}{16}$ - $10\frac{7}{16}$	$10\frac{11}{16}$ - $10\frac{9}{16}$	$10\frac{7}{8}$ - $10\frac{3}{4}$	11 - $10\frac{7}{8}$	$11\frac{5}{16}$ - $11\frac{3}{16}$
Yen	$1\frac{5}{16}$ - $1\frac{3}{16}$	$1\frac{5}{16}$ - $1\frac{3}{16}$	$1\frac{1}{4}$ - $1\frac{1}{8}$	$1\frac{3}{16}$ - $1\frac{1}{16}$	$1\frac{1}{8}$ - 1	$1\frac{1}{16}$ - $\frac{15}{16}$
Asian $Sing	$\frac{3}{4}$ - $\frac{5}{8}$	$\frac{7}{8}$ - $\frac{3}{4}$	1 - $\frac{7}{8}$	$1\frac{3}{16}$ - $1\frac{1}{16}$	$1\frac{1}{2}$ - $1\frac{3}{8}$	$2\frac{1}{8}$ - 2

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.71	92.67	+0.01	92.74	92.61	15,851	26,732
Sep	93.64	93.55	-	93.74	93.44	42,656	53,607
Dec	94.00	93.85	-0.02	94.02	93.75	16,450	32,019

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.59	95.53	-0.04	95.60	95.51	30718	100459
Sep	95.73	95.65	-0.06	95.74	95.63	52259	139593
Dec	95.62	95.50	-0.10	95.64	95.47	48363	139836
Mar	95.45	95.31	-0.11	95.48	95.27	45213	115144

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	89.17	89.17	+0.02	89.22	89.07	4149	21136
Sep	89.12	88.99	-0.05	89.14	88.90	12647	35737
Dec	89.11	88.98	-0.06	89.12	88.96	2015	22775
Mar	89.09	88.98	-0.08	89.11	88.96	1237	10642

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.85	96.82	-	96.89	96.79	2408	13265
Sep	96.88	96.77	-0.06	96.89	96.74	4561	19313
Dec	96.73	96.60	-0.09	96.74	96.58	1584	6419
Mar	96.54	96.40	-0.10	96.56	96.37	655	3838

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.87	93.80	-0.04	93.87	93.77	1223	5275
Sep	93.96	93.88	-0.02	93.99	93.83	2316	6394
Dec	93.96	93.86	-0.06	93.98	93.84	1359	3741
Mar	93.84	93.76	-0.04	93.87	93.74	834	1874

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
8900	0.23	0.53	0.70	0.06	0.54	0.72
8925	0.08	0.39	0.58	0.16	0.65	0.65
8950	0.02	0.29	0.46	0.35	0.80	0.98

Est. vol. total, Calls 70 Puts 120. Previous day's open int., Calls 9481 Puts 7065

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.98	17.09	4.871	2.126	5705	5.449	21.67	512.0	421.7	25.22	4.018	2.165	4.819	3.486	293.6	2.635
Denmark	(DKr)	52.69	10	9.004	2.567	1.120	3006	2.871	11.42	269.8	222.2	13.29	2.117	1.141	2.539	1.837	154.8	1.388
France	(FFr)	58.52	11.11	10	2.851	1.244	3338	3.189	12.68	299.6	246.8	14.76	2.351	1.267	2.820	2.040	171.9	1.542
Germany	(DM)	20.53	3.898	3.508	1	0.436	1171	1.119	4.449	105.1	86.58	5.178	0.825	0.444	0.989	0.716	60.31	0.541
Ireland	(I£)	47.04	8.927	8.038	2.291	1	2683	2.563	10.19	240.8	198.4	11.86	1.890	1.018	2.267	1.640	138.2	1.239
Italy	(L)	1.753	0.333	0.300	0.085	0.037	100.	0.096	0.380	8.975	7.393	0.442	0.070	0.038	0.084	0.061	5.150	0.046
Netherlands	(Fl)	18.35	3.483	3.136	0.894	0.390	1047	1	3.977	93.96	77.39	4.629	0.737	0.397	0.884	0.640	53.91	0.484
Norway	(NKr)	46.14	8.757	7.885	2.248	0.981	2632	2.514	10	236.3	194.6	11.64	1.854	0.999	2.224	1.608	135.6	1.216
Portugal	(Es)	19.53	3.707	3.337	0.951	0.415	1114	1.064	4.233	100.	82.37	4.926	0.785	0.423	0.941	0.681	57.38	0.515
Spain	(Pta)	23.71	4.500	4.052	1.155	0.504	1353	1.292	5.139	121.4	100.	5.980	0.953	0.513	1.143	0.826	69.66	0.625
Sweden	(SKr)	39.65	7.524	6.775	1.931	0.843	2262	2.161	8.592	203.0	167.2	10	1.593	0.858	1.911	1.382	116.5	1.045
Switzerland	(SFr)	24.89	4.723	4.253	1.212	0.529	1420	1.356	5.393	127.4	105.0	6.277	1	0.539	1.199	0.867	73.11	0.656
UK	(£)	46.19	8.766	7.893	2.250	0.982	2635	2.517	10.01	236.5	194.8	11.65	1.856	1	2.226	1.610	135.7	1.217
Canada	(C$)	20.75	3.938	3.546	1.011	0.441	1184	1.131	4.497	106.2	87.51	5.234	0.834	0.449	1	0.723	60.96	0.547
US	($)	28.69	5.445	4.902	1.398	0.610	1637	1.563	6.217	146.9	121.0	7.236	1.153	0.621	1.383	1	84.29	0.756
Japan	(Y)	34.04	6.460	5.817	1.658	0.724	1942	1.856	7.377	174.3	143.6	8.585	1.368	0.737	1.640	1.186	100.	0.897
Ecu		37.95	7.203	6.486	1.849	0.807	2165	2.068	8.225	194.3	160.1	9.573	1.525	0.822	1.829	1.323	111.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7105	0.7135	+0.0029	0.7142	0.7089	6,316	48,452
Sep	0.7127	0.7162	+0.0029	0.7168	0.7100	26,138	26,147
Dec	0.7170	0.7180	+0.0014	0.7180	0.7165	19	1,641

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1790	1.1877	+0.0050	1.1822	1.1787	6,847	43,467
Sep	1.1971	1.2019	+0.0047	1.2028	1.1911	23,422	25,118
Dec	1.2170	1.2160	+0.0023	1.2170	1.2135	729	1,701

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8599	0.8653	+0.0034	0.8658	0.8585	2,631	16,832
Sep	0.8679	0.8716	+0.0037	0.8719	0.8635	16,077	13,365
Dec	0.8745	0.8760	+0.0018	0.8760	0.8740	39	796

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5958	1.6036	+0.0078	1.6060	1.5956	2,000	20,943
Sep	1.5960	1.6028	+0.0092	1.6040	1.5960	6,012	14,954
Dec	-	1.5980	+0.0010	1.5980	-	2	176

UK INTEREST RATES

LONDON MONEY RATES

Jun 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$7\frac{1}{2}$ - $6\frac{3}{8}$	$6\frac{7}{8}$ - $6\frac{5}{16}$	$6\frac{7}{16}$ - $6\frac{1}{4}$	$6\frac{5}{8}$ - $6\frac{7}{16}$	$6\frac{13}{16}$ - $6\frac{5}{8}$	$7\frac{1}{8}$ - 7
Sterling CDs	-	-	$6\frac{3}{8}$ - $6\frac{1}{4}$	$6\frac{17}{32}$ - $6\frac{15}{32}$	$6\frac{25}{32}$ - $6\frac{19}{32}$	$6\frac{31}{32}$ - $6\frac{27}{32}$
Treasury Bills	-	-	$6\frac{1}{4}$ - $6\frac{3}{16}$	$6\frac{3}{8}$ - $6\frac{5}{16}$	-	-
Bank Bills	-	-	$6\frac{3}{8}$ - $6\frac{7}{32}$	$6\frac{1}{2}$ - $6\frac{3}{8}$	$6\frac{11}{16}$ - $6\frac{7}{16}$	-
Local authority deps.	$6\frac{1}{16}$ - $5\frac{13}{16}$	$6\frac{1}{16}$ - $5\frac{13}{16}$	$6\frac{3}{8}$ - $6\frac{1}{4}$	$6\frac{9}{16}$ - $6\frac{7}{16}$	$6\frac{13}{16}$ - $6\frac{5}{8}$	$6\frac{13}{16}$ - $6\frac{11}{16}$
Discount Market deps	$6\frac{3}{4}$ - $6\frac{1}{2}$	$6\frac{3}{16}$ - $6\frac{3}{32}$	-	-	-	-

UK clearing bank base lending rate $6\frac{3}{4}$ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	$5\frac{3}{4}$	$5\frac{3}{4}$	6	$6\frac{1}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{4}$pc.
Ave. tender rate of discount 6.2735pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1995. Agreed rate for period June 26, 1995 to July 25, 1995, Schemes II & III 8.03pc. Reference rate for period Apr 29, 1995 to May 31, 1995, Schemes IV & V 6.788pc. Finance House Base Rate 7pc from June 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.37	93.35	-0.01	93.38	93.34	6653	84346
Sep	93.15	93.07	-0.04	93.17	93.04	28655	97631
Dec	92.96	92.86	-0.06	93.00	92.83	25444	78522
Mar	92.74	92.64	-0.07	92.80	92.63	10589	50058

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9325	0.12	0.16	0.22	0.02	0.34	0.61
9350	0	0.09	0.14	0.15	0.52	0.78
9375	0	0.04	0.08	0.40	0.72	0.97

Est. vol. total, Calls 5942 Puts 3835. Previous day's open int., Calls 219947 Puts 227094

EMS EUROPEAN CURRENCY UNIT RATES

Jun 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.08801	+0.00503	-2.98	6.05	-
Belgium	39.3960	38.3293	+0.0734	-2.71	5.76	20
Austria	13.4383	13.1206	+0.0319	-2.36	5.39	16
Germany	1.91007	1.86584	+0.00449	-2.32	5.33	-
Spain	162.493	161.484	-0.157	-0.62	3.53	4
Denmark	7.28580	7.27211	-0.00281	-0.19	3.09	1
Portugal	195.792	196.225	+0.287	0.22	2.66	-1
France	6.40608	6.55433	+0.00131	2.31	0.56	-19
Ireland	0.792214	0.815122	+0.000198	2.89	0.00	-19
NON ERM MEMBERS						
Greece	292.867	301.296	+0.11	2.88	0.01	-
Italy	2106.15	2183.90	-27.28	3.69	-0.77	-
UK	0.786652	0.830517	-0.002972	5.58	-2.54	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jun	Jul	Aug	PUTS Jun	Jul	Aug
1.525	7.39	-	-	-	-	0.26
1.550	4.89	-	-	-	-	-
1.575	2.46	3.11	3.70	-	0.89	1.34
1.600	0.48	1.63	2.31	0.46	1.65	2.40
1.625	-	0.70	1.31	2.42	3.15	3.82
1.650	-	0.22	-	4.84	-	-

Previous day's vol., Calls 15,730 Puts 7,582. Prev. day's open int., Calls 299,509 Puts 398,315

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.05	94.01	-0.03	94.05	94.00	76,850	287,885
Sep	94.45	94.39	-0.05	94.46	94.37	135,403	368,002
Dec	94.50	94.44	-0.05	94.51	94.39	268,791	327,923

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.57	94.59	+0.02	94.60	94.56	458	6,039
Sep	94.80	94.80	-0.03	94.83	94.78	1,069	10,657
Dec	94.89	94.89	-0.04	94.92	94.86	134	10,940

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	Jul	Aug	Sep	PUTS Jun	Jul	Aug	Sep
9550	0.04	0.21	0.25	0.27	0.01	0.06	0.10	0.12
9575	0.01	0.07	0.11	0.13	0.23	0.17	0.21	0.23
9600	0	0.02	0.04	0.05	0.47	0.37	0.38	0.40

Est. vol. total, Calls 11139 Puts 3310. Previous day's open int., Calls 260184 Puts 336872

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9675	0.08	0.19	0.20	0.01	0.17	0.35
9700	0.02	0.08	0.11	0.20	0.31	0.51
9725	0	0.04	0.06	0.43	0.52	0.71

Est. vol. total, Calls 300 Puts 0. Previous day's open int., Calls 1410 Puts 1035

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	Unity Trust Bank Plc	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Western Trust	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Whiteaway Laidlaw	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Yorkshire Bank	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75		
Barclays Bank	6.75	C. Hoare & Co	6.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	* In administration	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

Prices for electricity, determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 15.06.95 Pool purchase price £/MWh	Final Prices for Trading on 10.06.95 Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.56	13.75	13.75
0100	9.56	10.00	10.00
0130	9.56	13.75	13.75
0200	9.56	16.29	18.50
0230	9.56	16.29	18.50
0300	9.56	16.29	18.50
0330	9.56	16.29	18.50
0400	9.56	16.29	18.50
0430	9.56	16.29	18.50
0500	9.56	16.29	18.50
0530	9.56	16.14	18.34
0600	12.84	16.14	18.34
0630	15.82	16.14	18.34
0700	16.80	16.17	18.39
0730	17.00	20.61	23.23
0800	18.87	26.48	30.06
0830	22.01	31.41	35.87
0900	23.47	35.27	40.56
0930	40.63	35.56	40.89
1000	41.47	34.61	39.74
1030	41.37	34.09	39.14
1100	40.98	35.24	40.56
1130	27.68	48.89	54.59
1200	41.70	50.12	56.01
1230	41.10	47.32	52.59
1300	39.53	42.53	46.88
1330	24.43	25.85	29.18
1400	21.59	23.78	26.68
1430	21.41	23.14	25.88
1500	21.30	22.31	24.99
1530	21.28	21.41	24.07
1600	21.56	21.79	24.54
1630	36.83	23.57	26.57
1700	37.31	31.29	34.30
1730	36.82	30.48	33.32
1800	36.06	20.64	23.15
1830	19.86	19.72	21.99
1900	17.56	19.51	21.73
1930	17.54	19.48	21.69
2000	17.48	19.47	21.68
2030	16.98	19.76	19.76
2100	16.98	19.49	21.70
2130	16.96	32.89	35.10
2200	24.14	32.89	35.10
2230	34.07	32.87	35.08
2300	16.80	17.31	19.51
2330	16.80	16.14	18.34
2400	16.66	14.85	17.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.85/MWh becomes 1.885p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0116 245 6789 between 8.30am and 5.15pm Monday to Friday.
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LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cns 2nd Pf.		50½#	—	58	50¾	6.31	19.8	-
9¼pc Non-Cum Pf		4¼#	—	118½	3	1.90	—	—
Cater Allen	♣†	523	—	524	418	170.5	6.8	10.8
Close Bros	♣†	278	—	280	219	284.7	3.8	12.6
Gerrard & Nat	♣†□	480	—	490	395	224.0	6.5	13.3
Hambros	♣v□	195	+1	253	182	328.7	5.2	19.4
7½pc Cv Pf		97	—	112	94	125.0	9.7	-
Joseph (L)	♣†	383	—	408	363	19.2	6.1	10.6
King & Shaxson	♣	119	-1	124	85	20.7	9.5	11.8
Kleinwort Benson	♣v□	724	+23	724	529	976.0	3.7	13.0
Rea Bros	♣v	61	—	67	51	24.8	2.5	18.7
Schroders	♣nv□	1114	+9	*1145	906¼	1,882	1.5	15.9
N/V	♣v	905	+10	*978¼	823¼	399.2	1.9	12.9
Singer & Fried	♣v□	92	—	99	81	178.8	4.8	9.5
Union	♣v□	98	+1	106	70	28.1	3.8	-
Warburg (SG)	♣qv□	761xd	-6	880	655	1,859	3.7	-
Wintrust	♣qv	250	—	258	200	21.2	5.9	ϕ

BANKS, RETAIL

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22⅝	-⅛	£24⅛	£21⅛	7,230	5.3	ϕ
ANZ A$	†	215	-6	247	198	2,985	6.0	6.9
Abbey National	v□	473½	-4½	503	413	6,217	4.7	9.6
Allied Irish I£	♣□	301	+2	305	250	2,006	4.6	8.8
Anglo Irish I£	□	65xd	—	66	48	188.3	8.0	11.1
Asahi Y	□	726	+7	857¾	632¼	16,859	0.7	-
Banco Bil Viz Pts	□	£18¾	+⅛	£18⅞	£14¾	4,214	4.4	8.4
Banco Sant Pts		£23⅝	—	£24⅝	£22⅞	3,773	5.6	16.1
Bk Ireland I£	v□	353xd	+3	357	288	1,678	4.6	ϕ
Bank Scotland	♣v□	221½xd	+½	232½	191½	2,586	3.3	9.8
9¼pc Pf		113¼	—	120	111⅛	113.2	10.2	-
9¾pc Pf		120	—	125⅛	112¼	130.0	10.2	-
Barclays	♣v□	679½	+2½	717	557½	11,137	3.9	10.1

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

* Not award winners as defined by Southam Securities Limited - as a guide only. See guide to London Share Service

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Trafficmaster	✓□	158	+1	177	148	34.9	-	-
Transport Dev.	♣□	238	-1	241	184	351.5	5.0	15.9
Ugland Inb	♣†	101	-1	128	92	24.5	3.0	Φ
United Carriers	✓□	112	----	113	90	38.0	5.5	21.2
Vard NKr		120	+4½	140¾	68¼	38.8	-	-
Wah Kwong HK$		110¾	-1	139¾	110¾	149.2	4.0	Φ

WATER

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglian	♣qv□	523xd	+2	558	443	1,558	6.2	8.0
Bristol Water	♣v	1130	+7	1130	1030	79.1	4.1	Φ
Cheam A	†	543	----	580	400	28.2	3.4	16.8
B N/V	†	525	----	545	445	12.8	3.5	18.7
Chester	†	770	----	280	168	21.4	3.8	17.5
Dee Valley	v	370	----	388	340	38.3	3.7	Φ
East Surrey	♣†	488	+5	488	388	88.4	3.5	10.2
Hartlepool	v	223xd	----	225	190	16.3	3.6	Φ
Mid Kent	♣v	361xd	----	362	295	61.7	4.4	Φ
North West	♣qv□	585xd	-4	616	483	2,118	4.8	7.8
Northumbrian	♣qv□	945	+10	945	676	658.8	3.8	8.1
Severn Trent	♣qv□	573	-5	586	475	2,061	6.5	6.9
South Staffs	♣v	2205xd	----	2225	1855	127.8	3.9	Φ
South West	♣qv□	512xd	-2	549	459	648.7	6.7	10.2
Southern	♣†□	640	+4	658	517	1,085	4.7	9.3
Thames	♣qv□	478xd	-1	519	456	1,812	6.6	6.7
Welsh	♣qv□	673	-4	710	567	988.0	6.5	9.4
Wessex	♣†□	299	+3	319	252	768.3	5.1	7.8
York W'works	♣v	363	----	365	323	25.0	3.8	Φ
Yorkshire	♣qv□	610	+5	610	472	1,226	5.8	8.5

AMERICANS

	Notes	Price £	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's
AT & T		32¼	+⅜	33½	30¾	50,404	2.6
Abbott Labs		25⅜	+⅜	26⅛	20	20,459	2.1
Amer Express		22⅛	+⅛	22½	18⅜	10,981	2.5
Amdahl		737½p	-22½	857p	645½p	853.6	0.4
Ameritech		27½	-⅛	28⅛	25⅜	15,064	4.5
Anheuser-Busch		35⅛	-⅛	37⅛	32⅛	9,007	2.8
BankAmerica		33xd	+⅛	33⅝	25⅛	11,551	3.5
Bankers NY		39⅛	+1⅛	41⅛	31⅞	3,094	4.8
Bell Atlantic		34⅛	+⅛	36½	31⅛	14,976	5.0
BellSouth		38⅛	+⅛	40⅛	34⅛	18,871	4.5
Bethlehem Steel	♥	9⅝	+⅛	12	8½	1,040	-
CPC		38¼	+⅛	38⅛	31⅞	5,613	2.3

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	----	£34	£29	2,164	2.3	17.8
Barlow	♣	£6⅞	----	£6⅞	£4⅞	1,307	1.5	24.8
Gold Flds Prop R		144	----	152	118	14.7	7.1	8.7
NK Props.		98	----	95	65	3.62	12.6	-
SASOL	♥	604	----	648	435	3,536	2.2	-
SA Brews		£17¾xd	----	£18⅞	£12⅞	4,986	1.9	Φ
Tiger Oats		950	----	950	700	1,429	1.5	23.8
Tongaat-Hulett	††	725xd	----	768	636	660.8	1.9	22.3

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK: Prof Advisers 0800 414181 | Jersey: 01534 71696
Private Clients 0800 414161 | 00 352 250404230
From O'seas (44) 1732 777377 | Hong Kong (852) 848 1000

Fund	Init Chrg	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
A$ Accum			A$17.841		+0.009	6.40
A$ Dist			A$15.338			6.40
A Sch Accum			Sch240.90		+0.07	3.50
A Sch Dist			Sch202.46			3.50
BFr Accum			BFr544.15		+0.17	3.80
BFr Dist			BFr507.68			3.90
C$ Accum			C$17.645		+0.009	6.40
C$ Dist			C$15.358			6.50
DKr Accum			DKr109.40		+0.05	5.40
DKr Dist			DKr101.82			5.50
DM Accum			DM37.040		+0.010	3.40
DM Dist			DM30.388			3.40
DFl Accum			DFl30.737		+0.008	3.20
DFl Dist			DFl25.326			3.20
ECU Accum			Ecu12.810		+0.005	5.30
ECU Dist			Ecu10.181			5.30
FM Accum			FM108.31		+0.03	4.00
FM Dist			FM101.30			4.00
FFr Accum			FFr63.774		+0.030	6.20
FFr Dist			FFr50.990			6.20
HK$ Accum			HK$113.49		—	8.00
HK$ Dist			HK$102.08			8.10
Ir£ Accum			I£11.584		+0.005	5.30
Ir£ Dist			I£10.787			5.30
Lire Accum			L21031		+17	10.10
Lire Dist			L15464			10.00
NZ$ Accum			NZ$38.025		+0.022	7.60
NZ$ Dist			NZ$30.799			7.70
NKr Accum			NKr107.18		+0.04	4.70
NKr Dist			NKr101.45			4.70
Pts Accum			Es2842.8		+2.1	9.10
Pts Dist			Es2578.9			9.10
S$ Accum			S$25.577		+0.002	1.00
S$ Dist			S$25.081			1.00
SPts Accum			Pts2476.9		+1.7	8.80
SPts Dist			Pts1848.4			8.40
£ Accum			£12.270		+0.005	5.30
£ Dist			£10.182			5.30
SKr Accum			SKr111.30		+0.07	7.70
SKr Dist			SKr102.47			7.40
SFr Accum			SFr29.008		+0.005	2.00
SFr Dist			SFr26.304			2.00

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

GUERNSEY (SIB RECOGNISED)

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

Fund	Init Chrg	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Bd $		3	$11.5848	11.3722	—	7.48
Approx Stg Equiv		3	£7.3052	7.7715	—	7.48

GUERNSEY (REGULATED)(**)

Fund	Selling Price	Buying Price	+ or -	Yield Gross
ANZ Mngmt Co (Guernsey) Ltd				
Emerging Mkts Liquid Inv Pfolio	$13.16	13.49	—	–
Apollo Investment Management Ltd				
Japan	£9.911	10.508	—	–
Tiger	£10.990	11.272	—	–
Arab Bank Fund Managers (Guernsey) Ltd				
AB International Fund Ltd				
Managed Currency	$11.22	11.33	—	–
International Bond	$11.38	11.42	—	–
Bachmann Global Investment Fund Ltd				
Cash, Gilt & Stg Fxd Int	£18.15	18.18	—	–
US Dollar Inv Bond & Ccy	$148.94	150.40	—	–
Sterling Intl Bond & Ccy	$102.58	104.89	—	–
Global Equity	$9.28	9.73	—	–
Intl Equity Index	$108.15	110.88	—	–
For Bellmont see Other Offshore Funds				
CIBC Fund Managers (Guernsey) Ltd				
PCF Sterling Bond	£11.30	11.49	—	8.47
PCF US Dollar Bond	$15.99	16.28	—	7.77
PCF Canadian Dollar Bond	C$22.79	22.98	—	10.10
PCF Euro Bond		78.34	—	–
PCF Euro Equity		19.87	—	–
PCF Balanced	$18.18	18.52	—	–
PCF Far East	$16.30	17.20	—	–
Clariden Investment Management (Guernsey) Ltd				
Clariden India Fund	$91.64		—	–
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	Ecu20.17	20.18	—	–
Global Portfolio Management (Guernsey) Ltd				
Global Conv Bd Dec 29	$11.69	11.70	—	–
Global Emerging Markets	$10.31	10.32	—	–
Guernsey Capital Management Limited				
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$7.1815	7.6434	—	–

Lloyds Bank Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

GT Asset Management - Contd.

Dynamic Pacific Portfolio Fund Plc

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Lloyds Private Banking (CI) Ltd

LUXEMBOURG (SIB RECOGNISED)

Dixa Income Fund

PRISCDA Worldwide Inv Portfolio Sicav

LUXEMBOURG (REGULATED)(**)

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LONDON STOCK EXCHANGE

MARKET REPORT

Bond market weakness unsettles equities

By Steve Thompson, UK Stock Market Editor

UK equities delivered a disappointing performance yesterday, ignoring another burst of takeover speculation and reflecting a decidedly edgy opening performance by Wall Street.

The latter was unnerved at the opening by the weak performance of US Treasury bonds, which in turn affected bunds, bonds and gilts across European markets.

Dealers ascribed the fall in US markets to growing unease about the dollar, which dropped below the crucial $1.40 level against the D-Mark yesterday after news that the Bundesbank had left German interest rates unchanged. There had been no real conviction in the market that the Bundesbank would lower German rates but dealers said sentiment in the US currency had worsened after the news was made public.

The FT-SE 100 Index of leading stocks ended the session a net 8.2 lower at 3,339.8, while the FT-SE Mid 250 Index was more resilient, closing only 3.7 off at 3,653.9.

There was no real build-up of downside pressure in London, dealers said. "The market feels slightly worn out," said the head of derivatives activity at one of the leading UK securities houses. He added that most of the domestic economic news emerging in recent sessions was viewed as moderately bullish for gilts and therefore for equities, but that this was balanced by some fairly aggressive selling pressure in the futures and options markets.

The consensus was that the market was unlikely to crack on the downside in the short term, unless Wall Street stages a substantial reversal.

The deputy head of trading at one big European securities house noted that any significant dips in the equity market were seen as opportunities for those holding short trading books to cover positions.

Good reasons for the market's reluctance to move ahead strongly on Tuesday emerged early in the session with news of a £137m rights issue from FKI, the electrical engineering group, and the placing of 57.5m shares in TLG by its previous owner Thorn EMI and Investcorp, a Bahrain-based investment company. Together the two deals will take out some £220m of investment funds.

The market was in good form at the opening when the FT-SE 100 opened more than 13 points higher, with early buying again fuelled by takeover talk concerning Cable and Wireless, Zeneca and Thorn EMI. All three stocks have long been seen as potential targets.

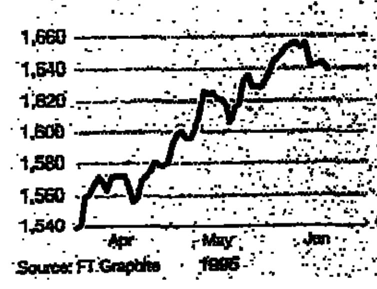
There was some hard bid news. Graham Group, the builders merchant floated last year, agreed a takeover of rival Erith.

The Footsie stayed in positive territory throughout the morning but began to lose momentum over lunchtime when gilts mirrored an abrupt reversal in US bonds.

Among the so-called bid targets, Cable and Wireless ran out of steam, but Zeneca continued to move ahead and Thorn EMI responded to demerger speculation.

Turnover in equities expanded to 743.2m shares, well above recent levels, although 20 per cent of the total was accounted for by 153m shares that were traded in TLG.

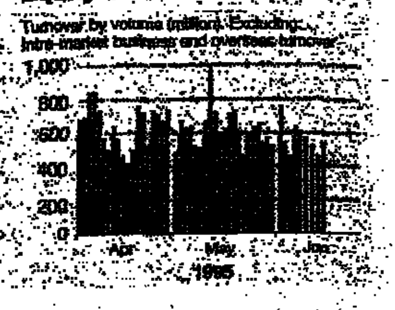
FT-SE-A All-Share Index



Source: FT Graphite

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3339.8	-8.2
FT-SE Mid 250	3653.9	-3.7
FT-SE-A 350	1658.4	-3.6
FT-SE-A All-Share	1639.17	-3.34
FT-SE-A All-Share yield	3.97	(3.96)
FT Ordinary Index	2505.5	-6.8
FT-SE-A Non Fins p/e	16.68	(16.72)
FT-SE 100 Fut Jun	3337.0	-7.0
10 yr Gilt yield	8.02	(8.04)
Long gilt/equity yld ratio:	2.07	(2.05)

Best performing sectors

1 Health Care .... +0.7
2 Leisure & Hotels .... +0.7
3 Banks, Merchant .... +0.6
4 Property .... +0.6
5 Media .... +0.5

Worst performing sectors

1 *Retailers, Food* .... -1.3
2 Insurance .... -1.1
3 Chemicals .... -1.1
4 Oil, Integrated .... -0.9
5 Gas Distribution .... -0.8

Kleinwort bid talk increases

The market's takeover appetite alighted on Kleinwort Benson again. But yesterday some punchy turnover suggested that there was real weight behind the rumours as the stock moved to a new all-time high.

Kleinwort jumped 23 to 724p and volume of 3.1m shares was one of the heaviest daily turnovers recorded in the merchant bank. Dealers and banking analysts said there were few dramatic new twists to the takeover story but pointed out that more than three times the normal level of shares went through the dealing system. And one specialist said the bank was holding a board meeting yesterday.

Mr Neil Baker of Credit Lyonnais Laing said that on fundamentals alone the stock was worth only 550p. "There must be at least a 25 per cent of bid premium in the current price," he said.

The principal perceived aggressors are Dresdner Bank, of Germany, or the Dutch ABN Amro. Analysts are convinced that an offer of 850p a share would be sufficient to clinch the merchant bank. However, most of the trades yesterday were in small lots of 10,000 to 20,000 shares, suggesting activity by marketmakers and speculative investors. "We have seen it with Zeneca; there is a lot of bid rumour activity in the market and those who were sellers are now holders," said one dealer.

Zeneca climbed 24 to 1072p, a new closing high. Bid rumours have circulated for more than a week, with attention focusing on Roche as the most likely predator.

Airways advances

Transport leader British Airways stood out against the general downtrend, rising 7 to 412p. US buying on the back of Wall Street's recent enthusiasm for airline stocks – United *Airlines has advanced 5 per* cent this week – was said to lie behind the upturn.

Sentiment was also aided by Far Eastern interest as the flotation of Qantas, the Australian carrier in which BA has a 25 per cent stake, moved to the prospectus stage. BA was well dealt, volume reaching 7.9m shares.

NFC held its interim dividend but the half-year results fell short of market expectations and the shares fell 5 to 164p. The transport team at UBS cut by a tenth to £90m.

Reuters improves

News and financial information group Reuters Holdings was the best performing Footsie stock, with the shares moving ahead 12¼ to 510½p.

Goldman Sachs was said to have been buying aggressively, although the house refused to comment. Although many of Reuters' dealing and information screens are sold on fixed contracts, there is perceived to be a strong link between the level of activity in the market and the Reuters share price.

News of a £137m rights issue at 125p a share from FKI, the acquisitive electrical engineering group, overshadowed the good results. The shares retreated 5 to 148p.

Demerger talk at Thorn EMI returned to the market yesterday and sent the shares through the 1300p level to finish 25 up at 1311p in busy trading of 3.1m.

The company has been having meetings with some of its leading investors and was said to have met with investors at ABN Amro yesterday.

Thorn, together with Invest*corp, a Bahrain based invest*ment bank, yesterday sold a total of 57.7m shares in TLG, a lighting systems company, at 150p a share.

The sale left Thorn with a 2.8 per cent holding in the group, though Lighting Limited Partnership, a partnership managed by Thorn and Investcorp, is to retain a 19.2 per cent holding. TLG shares closed 8 up at 159p, with a total of 153m having been traded by the close.

Rolls-Royce shed a penny to 184½p in spite of a steady stream of good news on orders coming out of the Paris air show and a reiterated buy stance from agency broker Henderson Crosthwaite.

Erith surged 28 to 105p following an agreed bid worth 107p a share from Graham Group, a builders merchant rival spun-off from diversified industrial leader BTR last year. Graham finished 4 cheaper at 178p.

ICI fell 21 to 764p, with some analysts apparently drawing conclusions from comments made in the US by chemicals company Rohm & Haas.

On Tuesday, Rohm & Haas said it was experiencing a slowdown in both North and Latin American business and it was unlikely that the company would exceed 1994's second-quarter earnings in the same period this year.

Selling began in the US on Tuesday night when ICI's American Depositary Receipts slipped $⅝ to $49⅝.

Power generator Scottish Hydro, which yesterday reported figures in line with market expectations, gained 6 to 343p, in active buying ahead of today's publication of a Monopolies and Mergers Commission report into prices.

Scottish Hydro requested the investigation last year, and dealers expect the MMC findings will favour the company. *UBS was said to have been* among the day's biggest buyers of stock and turnover rose to a hefty 8.6m, its highest level for nearly a year.

United News & Media, which has been seeing analysts this week, fell 8 to 508p on talk of a downgrade by BZW. The investment bank is said to be worried about slower than expected advertising growth, higher newsprint costs in the second half and spending on the relaunch of old titles.

Telecoms shares fell back, succumbing to modest profit-taking after two days of near fever pitch activity. Cable and Wireless retreated 3 to 436p as some of the frothier takeover stories subsided while mobile phones group Vodafone eased 3½ to 226½p.

Volume in the sector remained high and for the second day running there was heavy derivatives activity in C&W. C&W shares traded 14m to head the Footsie activity charts while BT, seen by the stock market earlier this week as a determined suitor for C&W, gained a penny to 393½p in 11m turnover. Vodafone traded 8.9m.

Retailer WH Smith closed 2 down 346p, after Morgan Stanley downgraded profit expectations. Miss Julie Ramshaw at the US investment bank reduced current year profit expectations by £7m to £108m. Explaining the move, Miss Ramshaw said: "We expect more under performance in WH Smith's core chain and expect slow progress to be made particularly in the light of a tough trading environment."

Copper cables group Delta, which has come up from 430p since mid-March, fell 9 to 504p as word went round that some houses were shading their estimates ahead of the interim results, due in August.

Smith New Court moved from buy to hold on the shares and sliced £3m off its estimates *for 1995 as a whole.*

GEC continued to edge higher, finishing 1½ harder at 331½p. The shares stood at 322p immediately after the £835m cash takeover bid for submarine group VSEL.

International motor trader Inchcape was again Footsie backmarker, tumbling 9 to 298p for a two-day decline of 17½ as worries about Far Eastern continued to build in the wake of this week's gloomy annual meeting statement from Jardine International Motors.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jun 14	Jun 13	Jun 12	Jun 9	Jun 8	Yr ago	*High	*Low
Ordinary Share	2505.5	2512.3	2512.6	2512.4	2545.9	2399.8	2558.7	2238.3
Ord. div. yield	4.25	4.25	4.25	4.26	4.21	4.27	4.73	4.20
P/E ratio net	15.74	15.75	15.74	15.73	15.91	18.86	21.33	15.73
P/E ratio nil	15.50	15.51	15.50	15.49	15.67	19.53	22.21	15.49

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94: low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2522.6	2518.5	2522.8	2517.5	2515.9	2512.8	2507.3	2507.7	2505.3	2523.0	2503.9

	Jun 14	Jun 13	Jun 12	Jun 9	Jun 8	Yr ago
SEAQ bargains	22,650	21,071	21,568	22,046	23,703	22,883
Equity turnover (£m)†	-	1278.5	1175.7	1317.8	1611.3	1561.4
Equity bargains†	-	30,450	32,283	32,581	34,417	29,963
Shares traded (ml)†	-	548.0	477.2	521.1	570.0	610.6

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	436	Total Highs	103	Total contracts	34,696
Total Falls	770	Total Lows	56	Calls	20,038
Same	1,660			Puts	14,658

June 14 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3356.0	3337.0	-7.0	3365.0	3331.0	22452	31636
Sep	3384.0	3363.0	-5.0	3388.0	3357.0	16933	46555
Dec		3388.0	-5.0			0	475

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		3655.0	-5.0			0	1897
Sep	3686.0	3680.0	-5.0	3688.0	3686.0	50	3327

■ FT-SE 100 INDEX OPTION (LIFFE) (*3339) £10 per full index point

	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P
Jun	189	1	139	1	89	1	40½	3	7½	21½	1	70	1	120	1	120
Jul	209	5½	164	11	122½	18	84½	32½	53½	54½	31	85	15½	124½	6½	173
Aug	212½	13½	178	20½	132½	33½	99	50	79	71½	47	100	30	134½	17	175½
Sep	230½	22	190½	31½	153	44	121½	62	92	83½	69	111½	48½	143½	33	181
Dec†			241½	63½			178½	99½			128	147			83½	207

Calls 6,782 Puts 7,486

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P
Jun	162	1	112	1	63½	2	21½	9½	2½	40½	1	88½	1	138½	1	188½
Jul	184	9	140½	14½	101½	25	67	40	40½	63½	22	94½	11	133	4½	176½
Aug	191	16½	151½	26½	116	40	85	59	58	82½	38	111½	23½	145½	13	184½
Sep			171½	35½			198½	69			68½	119			27	186
Dec†			229	71½			188½	104½			119½	146½			68	200½

Calls 4,116 Puts 3,039 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	P.P.	128.3	733	639	Brit Aero Cap Uts	701	+1	-	-	-	-
-	F.P.	25.2	103	98	*Finsbury Worldwide*	101		-	-	-	-
122	F.P.	24.9	127	122	Gradus Group	126		Lv4.88	2.1	4.8	12.5
80	F.P.	13.8	98	80	Gus Carter	87		V–	-	-	19.1
-	F.P.	63.2	113	111	International Energy	112		v3.3	2.3	3.7	14.7
3	F.P.	2.23	3½	3½	Langdons Foods	3½		Hv0.1	2.6	3.6	13.3
100	F.P.	20.2	98	93	NatWest Irish Sm	94		-	-	-	-
-	F.P.	1.29	33	28	Do. Warrants	30		-	-	-	-
-	F.P.	1,271.9	141	128	NYNEX CableCom	137½	+1	-	-	-	-
-	F.P.	13.0	650	650	Oryx India	650		-	-	-	-
-	F.P.	1.00	250	250	Do Warrants	250		-	-	-	-
125	F.P.	16.8	141	128	Silk Industries	140		Lv5.6	2.1	5.0	11.7

FT GOLD MINES INDEX

	Jun 13	% chg on day	Jun 12	Jun 9	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (33)	1896.94	+0.4	1888.09	1895.81	1927.24	2.11	2337.80	1637.91
■ Regional Indices								
Africa (16)	2532.85	+0.9	2509.76	2487.17	2753.24	4.92	3711.87	2428.19
Australasia (6)	2142.16	+0.7	2128.17	2133.22	2620.08	1.83	2951.49	1788.20
North America (11)	1683.14	+0.2	1680.60	1703.89	1581.66	0.81	1911.21	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Jun 14	Day's chge%	Jun 13	Jun 12	Jun 9	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3339.8	-0.2	3348.0	3344.5	3337.7	3045.8	4.15	2.00	15.03	73.63	1305.27
FT-SE Mid 250	3653.9	-0.1	3657.6	3659.3	3678.9	3559.7	3.60	1.84	18.85	58.85	1400.17
FT-SE Mid 250 ex Inv Trusts	3664.8	.....	3666.3	3668.4	3689.8	3560.9	3.74	1.91	17.55	60.22	1402.81
FT-SE-A 350	1658.4	-0.2	1662.0	1660.8	1660.2	1535.4	4.03	1.97	15.75	34.38	1324.43
FT-SE-A 350 Higher Yield	1674.3	-0.2	1678.3	1679.2	1678.0	1529.0	4.91	1.76	14.46	41.02	1103.25
FT-SE-A 350 Lower Yield	1642.2	-0.2	1645.1	1641.7	1641.7	1502.5	3.00	2.37	17.57	27.35	1101.66
FT-SE SmallCap	*1852.53*	*-0.1*	*1854.23*	*1856.53*	*1860.39*	*1857.38*	*3.32*	*1.61*	*23.43*	*29.44*	*1472.64*
FT-SE SmallCap ex Inv Trusts	1831.55	-0.1	1833.16	1835.99	1839.06	1833.94	3.52	1.68	21.20	30.61	1462.16
FT-SE-A ALL-SHARE	1639.17	-0.2	1642.51	1641.65	1641.32	1526.59	3.97	1.95	16.16	33.35	1330.73

■ FT-SE Actuaries All-Share

	Jun 14	Day's chge%	Jun 13	Jun 12	Jun 9	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2843.97	-0.8	2866.50	2854.15	2846.25	2677.57	3.68	2.07	16.43	61.78	1174.70
12 Extractive Industries(7)	3777.14	-0.4	3792.83	3794.45	3789.04	3903.33	3.75	2.07	16.12	92.98	1069.87
15 Oil, Integrated(3)	2838.02	-0.9	2864.77	2850.93	2839.95	2528.83	3.80	2.16	15.23	61.83	1198.97
16 Oil Exploration & Prod(14)	*2077.85*	*-0.1*	*2080.20*	*2081.83*	*2072.11*	*1883.07*	*2.38*	*0.57*	*78.80*	*31.86*	*1222.53*
20 GEN INDUSTRIALS(278)	1944.77	-0.4	1952.55	1954.54	1957.63	1970.33	4.07	1.69	18.14	38.35	1021.22
21 Building & Construction(36)	971.23	-0.5	976.39	989.23	993.82	1171.19	4.12	1.86	16.40	20.84	783.53
22 Building Matls & Merchs(31)	1789.69	-0.1	1791.15	1793.96	1806.61	1875.72	4.15	1.84	16.39	37.17	869.99
23 Chemicals(22)	2382.99	-1.1	2408.56	2412.24	2424.07	2406.96	3.99	1.51	20.72	52.12	1069.97
24 Diversified Industrials(18)	1848.91	-0.6	1859.77	1866.28	1857.59	1975.81	5.23	1.58	15.08	50.64	984.65
25 Electronic & Elect Equip(36)	2070.31	+0.3	2064.38	2046.08	2035.95	2007.63	3.53	1.94	18.29	17.19	1032.04
26 Engineering(72)	1968.45	-0.3	1973.58	1972.79	1985.53	1824.13	3.22	1.85	21.04	27.34	1152.10
27 Engineering, Vehicles(13)	2297.28	-0.6	2311.25	2305.70	2321.89	2301.77	3.99	0.54	57.60	48.54	1150.05
28 Paper, Pckg & Printing(27)	2930.53	-0.4	2940.83	2963.56	2957.41	2786.73	3.31	2.26	16.69	53.63	1182.63
29 Textiles & Apparel(21)	1644.84	-0.8	1657.73	1648.40	1657.33	1756.72	4.30	1.59	18.21	40.54	966.28
30 CONSUMER GOODS(93)	3169.65	-0.1	3172.27	3174.10	3160.02	2668.27	4.13	1.80	16.78	69.79	1128.12
31 Breweries(18)	2403.97	-0.2	2408.68	2418.21	2401.62	2183.53	4.14	2.0?	14.93	44.82	1116.74
32 Spirits, Wines & Ciders(10)	2745.99	-0.4	2757.67	2753.48	2751.26	2841.27	4.31	1.86	15.60	77.23	956.47
33 Food Producers(24)	2500.59	-0.3	2508.94	2517.42	2511.18	2200.54	4.07	1.92	15.98	56.12	1069.21
34 Household Goods(10)	2645.28	+0.5	2632.63	2618.83	2616.97	2484.90	3.48	0.98	36.78	54.60	979.66
36 Health Care(17)	1792.34	+0.7	1779.42	1779.44	1777.72	1678.72	2.83	2.35	18.76	25.57	1062.71
37 Pharmaceuticals(12)	4043.94	.....	4042.04	4030.06	3998.35	2898.83	3.84	1.62	20.13	89.31	1322.36
38 Tobacco(2)	4180.76	+0.2	4173.42	4210.59	4201.74	3468.69	5.42	1.90	12.12	131.29	988.49
40 SERVICES(229)	2031.45	-0.1	2033.00	2034.37	2037.50	1954.26	3.33	2.12	17.66	38.46	1026.94
41 Distributors(32)	2576.57	-0.6	2591.72	2595.81	2603.49	2744.05	3.76	2.00	16.65	54.45	921.27
42 Leisure & Hotels(29)	2348.15	+0.7	2331.49	2320.71	2323.51	2150.09	3.35	1.71	21.88	37.23	1165.09
43 Media(43)	3026.62	+0.5	3010.40	3015.48	3005.69	2975.11	2.61	2.35	20.44	56.39	1075.06
44 Retailers, Food(16)	2015.91	-1.3	2041.64	2042.85	2044.81	1629.52	3.45	2.44	14.89	45.02	1245.47
45 Retailers, General(44)	1654.66	-0.2	1657.28	1662.21	1668.03	1680.35	3.45	2.19	16.50	34.35	919.70
48 Support Services(37)	1625.21	+0.5	1617.28	1617.16	1623.80	1562.21	2.74	2.52	18.12	20.61	1008.91
49 Transport(21)	2228.03	-0.3	2234.90	2236.09	2244.75	2300.64	4.19	1.77	16.89	39.17	895.74
51 Other Services & Business(7)	1221.47	-0.1	1222.57	1221.47	1222.60	1198.27	3.72	1.24	27.04	12.40	1070.61
60 UTILITIES(37)	*2420.10*	*-0.2*	*2424.13*	*2405.80*	*2405.38*	*2214.32*	*4.66*	*1.94*	*13.85*	*33.02*	964.17
62 Electricity(17)	2336.56	+0.2	2331.23	2319.06	2313.89	2146.76	4.46	2.76	10.15	27.40	1003.28
64 Gas Distribution(2)	2028.76	-0.8	2045.00	2038.85	2046.23	1806.26	5.91	0.65	32.46	66.79	985.68
66 Telecommunications(6)	2095.12	-0.2	2100.22	2089.46	2080.76	1953.21	4.06	1.63	18.87	11.51	914.40
68 Water(13)	1924.99	-0.1	1926.76	1938.02	1963.30	1719.60	5.68	2.69	8.19	45.79	1002.49
69 NON-FINANCIALS(661)	1764.75	-0.2	1769.17	1767.15	1766.03	1649.39	3.85	1.89	16.68	34.17	1286.43
70 FINANCIALS(117)	2393.04	+0.1	2391.33	2397.16	2400.03	2156.26	4.43	2.28	12.38	65.01	984.21
71 Banks, Retail(9)	3213.42	+0.3	3203.52	3217.09	3220.94	2607.82	4.29	2.81	10.37	90.64	998.87
72 Banks, Merchant(6)	3276.45	+0.6	3255.50	3265.24	3244.41	2795.72	3.25	1.99	19.37	56.32	1013.08
73 Insurance(26)	1304.32	-1.1	1319.19	1313.06	1311.40	1230.40	5.46	1.84	12.47	43.40	934.92
74 Life Assurance(6)	2675.52	-0.4	2686.79	2663.40	2660.99	2304.02	5.06	1.36	18.06	91.02	1073.55
77 Other Financial(22)	2034.39	-0.3	2039.56	2034.86	2036.30	1814.27	3.82	2.32	14.10	30.47	1116.78
79 Property(45)	1453.52	+0.6	1444.69	1463.04	1475.91	1519.89	4.21	1.28	23.18	28.65	880.55
80 INVESTMENT TRUSTS(133)	2777.51	-0.4	2788.96	2798.41	2796.86	2759.80	2.34	1.03	51.80	32.07	949.83
89 FT-SE-A ALL-SHARE(911)	1639.17	-0.2	1642.51	1641.65	1641.32	1526.59	3.97	1.95	16.16	33.35	1330.73
FT-SE-A Fledgling	1012.37	.....	1012.40	1014.42	1015.61	-	2.98	1.23	33.99	14.60	1027.61
FT-SE-A Fledgling ex Inv Trusts	1006.54	.....	1006.52	1008.86	1009.91	-	3.15	1.28	31.01	14.97	1022.13

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3361.7	3356.1	3360.6	3354.0	3353.6	3348.3	3343.2	3343.3	3338.8	3362.0	3337.5
FT-SE Mid 250	3663.4	3662.3	3663.4	3661.7	3661.8	3661.2	3658.5	3657.5	3653.7	3664.0	3653.4
FT-SE-A 350	1667.8	1665.6	1667.5	1664.7	1664.6	1662.5	1660.2	1660.1	1658.0	1668.0	1657.7

Time of FT-SE 100 Day's high: 9.44am Day's low: 3.31pm. FT-SE 100 1994 High: 3380.0 (8/6) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	963.5	962.7	962.7	962.7	962.7	960.5	960.5	959.6	958.1	957.8	961.0	-3.2
Pharmaceuticls	4032.5	4031.2	4039.7	4027.9	4020.2	4007.2	4000.0	3998.6	4011.0	4009.0	4007.2	+1.8
Water	1919.5	1918.1	1917.5	1917.2	1917.2	1915.9	1914.7	1916.5	1918.8	1918.8	1920.6	-1.8
Banks, Retail	3265.2	3271.2	3279.8	3271.6	3275.6	3263.9	3262.1	3262.5	3250.0	3254.4	3244.4	+10.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based productsrelating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.
† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	300	382	-1
ASDA Group†	4,400	84½	-1
Abbey National†	1,300	473½	-4½
Albert Fisher	327	45	-1
Allied Domecq†	1,500	532	-4
Anglian Water	511	523	+2
Argos	77	434	-1
Argyll Group†	5,200	322	-5
Arjo Wiggins†	1,100	248	-2
Assoc. Brit. Foods†	955	680	
Assoc. Brit. Ports	312	277	
BAA†	1,600	474	-6
BAT Inds.†	3,700	494	+1
BET	5,700	127	+1
BICC	349	327	+4
BOC†	1,500	792	-1
BP†	8,600	443½	-3½
BPB Inds.	3,700	309	
BT†	11,000	393½	+1
BTR†	10,000	337	
Bank of Scotland†	1,800	221½	+½
Barclays†	3,000	679½	+2½
Bass†	2,400	592	-5
Blue Circle†	1,400	287	-3
Booker	626	433	-3
Boots†	1,000	507	-4
Brit. Aerospace†	900	527	
British Airways†	7,800	412	+7
British Gas†	2,700	307	-2½
British Land	1,100	408	+11
British Steel†	6,500	164½	-2
Bunzl	256	201	
Burmah Castrol†	190	931	-6
Burton	475	86½	-1
Cable & Wire†	14,000	436	-3
Cadbury Schweppes†	2,600	450	+5
Caradon†	532	249	-2
Carlton Comms.†	568	862	+3
Coats Viyella	1,700	205	-4
Comm. Union†	1,300	601	-4
Cookson	841	243	-1
Courtaulds†	851	450	+2
Dalgety	297	443	-5
De La Rue†	341	917	-2
Dixons	2,300	240	-1
Eastern Elect.†	950	682	+3
East Midland Elect.	224	684	
Electrocomps	671	386	-5
Eng China Clays	423	376	-1
Enterprise Oil†	448	404½	-1½
Eurotunnel Units	483	178	
FKI	2,800	148	-5
Fisons	685	185	
Foreign & Col. I.T.	823	139½	-1½
Forte†	1,700	234½	-1½
Gen. Accident†	928	607	-1
General Elect.†	7,300	331½	+1½
Glaxo Wellcome†	3,900	743	-4
Glynwed	504	343	-8
Granada†	1,300	508	+2
Grand Met.†	3,100	396	-3
GUS†	1,000	618	-4
GRE†	845	195	-5
GKN†	1,300	622	-7
Guinness†	2,300	474	-1
HSBC (75p shs)†	4,700	820½	+2½
Hammerson	117	352	+3
Hanson†	11,000	227	-2½
Harrisons Crosfield	611	147	-2
Hays	612	327	+3
Hillsdown	916	183	-1
IMI	267	311	+2
ICI†	2,300	764	-21
Inchcape†	4,300	298	-9
Johnson Matthey	370	549	-4
Kingfisher†	859	448	-2
Kwik Save	1,500	626	+5
Ladbroke†	3,600	178½	+2½
Land Securities†	795	611	+4
Laporte	72	742	-8
Legal & General†	1,000	509½	-1½
Lloyds Abbey	352	393	+2
Lloyds Bank†	2,100	639	-2
LASMO	1,300	172½	-½
London Elect.	934	680	+2
Lonrho	2,000	147½	
Lucas	3,400	192	-2
MEPC†	294	402	+6
MFI	1,400	113½	-½
Manweb	152	891	+1
Marks & Spencer†	2,500	412½	+1½
Midlands Elect.	250	674	+1
Morrison (Wm.)	1,100	150	+1
NFC	1,900	164	-5
NatWest Bank†	3,900	554	+5
National Power†	2,400	480	-1
Next	1,700	328	+2
North West Water†	324	585	-4
Northern Elect.	81	808	+4
Northern Foods	2,400	186	+1½
Norweb	247	716	+3
Pearson†	1,000	608	+1
P & O†	441	603	-4
Pilkington	1,700	188	-2
PowerGen†	2,400	507	+4
Prudential†	1,600	338	-2
REXAM†	318	409	-4
RMC†	213	1112	+4
RTZ†	1,200	872	-4
Racal	483	255	-1
Rank Org.†	1,100	424	
Reckitt & Colman†	904	660	+5
Redland†	779	445	+8
Reed Intl.†	1,200	855	-3
Rentokil†	523	238	-2
Reuters†	4,300	510½	+12½
Rolls Royce†	4,200	184½	-1
Ryl Bk Scotland†	3,100	424	+1
Royal Insurance†	981	318	-5
Sainsbury†	2,200	420	-3
Schroders†	84	1114	+9
Scottish & New.†	1,100	647½	+4½
Scot. Hydro-Elect.	8,600	343	+6
Scottish Power†	1,400	350	+3
Sears†	2,000	109½	-1
Sedgwick	2,800	142	-4
Seeboard	536	407	+6
Severn Trent†	2,100	573	-5
Shell Transport†	7,100	761	-8
Siebe†	1,300	634	+10
Slough Ests	940	226	-2
Smith (W.H.)	1,800	346	-2
Smith & Nephew†	4,600	177½	+3½
SmKl Beecham†	4,500	543	-1
SmKl Beecham Uts.†	3,800	534	-4
Smiths Inds.	1,300	537	-3
Southern Elect.†	871	861	-1
South Wales Elect.	31	741	+5
South West Water	142	612	-2
South West. Elect.	33	713	+5
Southern Water	270	640	+4
Standard Chartd.†	1,900	349	
Storehouse	1,100	276	+1
Sun Alliance†	978	337	-5
T&N	1,800	170	+1
TI Group†	508	379	-1
TSB†	2,300	240½	+1½
Tarmac	1,800	114½	
Tate & Lyle†	571	449	
Taylor Woodrow	576	120	
TeleWest	1,100	169	+1
Tesco†	4,400	291	-7½
Thames Water†	1,600	478	-4
Thorn EMI†	8,000	1311	+25
Tomkins†	1,200	238	-3
Trafalgar House	2,200	47½	-1
Unigate	1,700	393	-2
Unilever†	1,400	1242	-13
United Biscuits†	765	338	-1
Utd. News & Media	1,600	508	-8
Vodafone†	8,800	226½	-3½
Warburg (SG)†	507	731	-5
Welsh Water	301	673	-1
Wessex Water	1,100	328	+3
Whitbread†	1,600	594	-5
Williams Hldgs.†	751	334	-3
Willis Corroon	429	157	-1
Wimpey	1,500	120	
Wolseley†	1,000	347	-4
Yorkshire Elect.	302	721	-1½
Yorkshire Water	123	610	+6
Zeneca†	3,100	1072	+24

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are unrounded.

WORLD STOCK MARKETS

INDICES

	Jun 14	Jun 13	Jun 12	1995 High	1995 Low
Argentina					
General (29/12/77)	(u)	14700.57	14433.26	16831.10 2/1	9831.09 9/3
Australia					
All Ordinaries(1/1/80)	1956.5	1978.9	(c)	2077.50 9/5	1823.30 8/2
All Mining(1/1/80)	851.9	861.0	(c)	962.80 19/4	795.30 8/2
Austria					
Credit Aktien(30/12/84)	374.25	375.45	377.62	395.42 2/1	358.32 30/3
Traded Index(2/1/91)	1016.62	1020.91	1027.59	1088.31 2/1	934.83 30/3
Belgium					
BEL20 (1/1/91)	1411.53	1414.80	1412.14	1486.74 12/5	1271.83 9/3
Brazil					
Bovespa (29/12/83)	(u)	37893.0	37048.0	43190.00 2/1	21382.00 9/3
Canada					
Metals Minls♦(1975)	(u)	4322.64	4324.16	4391.48 6/6	3808.63 1/3
Composite♦ (1975)	(u)	4492.10	4486.80	4492.10 13/6	3981.41 30/1
Portfolio§§ (4/1/83)	(u)	2217.26	2207.37	2219.23 8/6	1948.39 31/1
Chile					
IGPA Gen (31/12/80)	(u)	6092.5†	6029.8	6191.00 6/6	4576.98 9/3
Denmark					
CopenhagenSE(3/1/83)	358.88	356.16	355.55	380.87 26/5	330.01 29/3
Finland					
HEX General(28/12/90)	1853.3	1870.3	1884.4	1940.30 10/1	1555.30 29/3
France					
SBF 250 (31/12/90)	1264.27	1277.23	1272.12	1322.30 12/5	1169.14 10/3
CAC 40(31/12/87)	1893.65	1922.79	1907.75	2017.27 12/5	1721.80 13/3
Germany					
FAZ Aktien(31/12/58)	783.41	778.72	777.62	796.81 16/2	706.87 30/3
Commerzbank(1/12/53)	2249.2	2237.5	2230.1	2280.00 16/2	2018.70 30/3
DAX (30/12/87)‡	2128.02	2115.11	2119.56	2146.40 6/6	1910.98 28/3
Greece					
Athens SE(31/12/80)	910.40	908.68	(c)	955.01 8/5	787.16 16/3
Hong Kong					
Hang Seng(31/7/64)	9364.77	9103.17	9121.45	9870.37 5/6	6967.93 23/1
India					
BSE Sens.(1979)	3324.86	3299.47	3318.54	3932.09 2/1	3015.07 3/5
Indonesia					
Jakarta Comp.(10/8/82)	489.32	488.29†	487.31	497.28 5/6	414.21 19/4
Ireland					
ISEQ Overall(4/1/88)	1956.21	1944.12	1944.69	1980.08 8/6	1813.59 23/1
Italy					
Banca Comm Ital (1972)	606.81	605.35	611.01	680.54 10/2	587.80 23/3
MIB General (2/1/95)	960.0	958.0	967.0	1076.00 10/2	929.00 23/3
Japan					
Nikkei 225 (16/5/49)	14650.49	14599.68	14815.46	19723.08 2/1	14599.68 13/6
Nikkei 300 (1/10/82)	223.10	222.26	224.67	287.17 2/1	222.26 13/6
Topix (4/1/68)	1196.33	1193.16	1206.53	1589.69 2/1	1193.16 13/6
2nd Section (4/1/68)	1453.33	1441.90	1457.44	2133.86 2/1	1441.90 13/6
Malaysia					
KLSE Comp.(4/4/86)	1049.97	1038.98	1042.68	1086.04 5/6	840.87 24/1
Mexico					
IPC (Nov 1978)	(u)	1983.77	1975.71	2364.25 2/1	1447.52 27/2
Netherland					
CBS TtlRtnGen(End 83)	469.5	471.4	471.0	476.10 1/6	422.90 23/3
CBS All Shr (End 83)	287.6	289.7	288.5	291.70 1/6	265.20 23/3
New Zealand					
Cap. 40 (1/7/86)	2084.21	2088.02	2075.96	2158.79 18/5	1981.43 5/1
Norway					
Oslo SE(Ind)(2/1/83)	1179.88	1173.14	1172.01	1186.64 15/5	1036.90 10/3
Philippines					
Manila Comp (2/1/85)	2810.66	2809.27	(c)	2877.33 6/6	2248.39 27/3
Portugal					
BTA (1977)	2771.6	(c)	2797.3	2911.60 9/1	2682.40 26/1
Singapore					
SES All-S'pore(2/4/75)	518.77	518.69	519.79	538.68 5/1	472.90 23/1
South Africa					
JSE Gold (28/9/78)	1402.5¥	1391.0	1381.8	2023.00 2/1	1317.20 22/5
JSE Indl. (28/9/78)	6791.5	6784.8	6797.5	7086.20 3/5	6222.00 31/1
South Korea					
KoreaCompEx(4/1/80)**	888.56	887.32	884.40	1027.37 2/1	847.09 27/5
Spain					
Madrid SE (30/12/85)	295.47	295.50	293.99	302.29 24/5	284.08 23/3
Sweden					
AffarsverldsGen (1/2/37)	1586.0	1603.9	1606.3	1609.80 2/6	1439.80 29/3
Switzerland					
Swiss Bk Ind (31/12/58)	1298.20	1298.95	1299.77	1303.37 1/6	1174.83 13/3
SBC General (1/4/87)	978.25	978.38	979.36	984.16 7/6	870.58 13/3
Taiwan					
WeightedPr.(30/6/66)**	5413.74	5513.70	5620.94	7124.66 3/1	5413.74 14/6
Thailand					
Bangkok SET (30/4/75)	1387.88	1372.00	1375.02	1468.28 5/6	1135.89 16/3
Turkey					
Istanbul Cmp.(Jan 1986)	52344.7	53082.5	53995.3	54863.96 21/4	24844.31 23/1
WORLD					
MS Capital Int (1/1/70)§	665.5*	664.9	664.1	680.10 8/5	598.21 23/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1351.12	1354.19	1350.53	1380.43 18/5	1222.41 13/3
Euro Top-100 (26/6/90)	1226.34	1229.22	1226.88	1244.92 6/6	1114.64 10/3
JCapitOrgns (31/12/88)	(u)	332.92	333.26	347.26 5/6	292.87 23/1
Barings Emerg.(7/1/92)	(u)	146.36	146.02	156.07 2/1	117.16 10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index)							
Jun	1930.0	1890.0	-30.0	1930.0	1884.0	25,762	47,283
Jul	1931.5	1892.5	-30.0	1931.5	1887.0	2,710	6,544
DAX							
Jun	2139.5	2128.0	-	2140.0	2121.0	23,914	-
Sep	2161.0	2148.0	+1.0	2161.0	2143.0	17,809	-
OMX							
Jun	1262.00	1242.00	-22.00	1262.50	1241.00	4,890	14,199
Jul	1271.25	1251.00	-23.25	1271.25	1251.00	857	3,060
SOFFEX							
Jun	2815.0	2794.0	-7.0	2819.0	2794.0	7,530	12,815
Jul	2820.0	2801.1	-8.2	2825.0	2800.5	3,722	10,440

** Sat June 10: Taiwan Weighted Price 5841.19; Korea Comp Ex 890.31. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 14 - 2124.64 +0.59.

US INDICES

Dow Jones	Jun 13	Jun 12	Jun 9	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4484.51	4448.46	4423.99	4485.20 (8/6)	3832.08 (30/1)	4485.20 (6/6/95)	41.22 (2/7/32)
Home Bonds	102.12	101.42	101.41	102.28 (6/6)	93.53 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1700.95	1663.22	1644.38	1700.95 (13/6)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	205.25	203.27	201.62	209.86 (5/6)	183.03 (3/1)	223.65 (26/5/95)	10.50 (8/4/32)

DJ Ind. Day's high 4504.91 (4482.69) Low 4440.24 (4415.88) (Theoretical♦)
Day's high 4491.77 (4465.49) Low 4443.35 (4423.99) (Actual♦)

Standard and Poors							
Composite ‡	536.05	530.88	527.94	536.05 (13/6)	459.11 (3/1)	536.05 (13/6/95)	4.40 (1/6/32)
Industrials¥	637.05	632.06	628.77	637.03 (13/6)	546.28 (3/1)	637.03 (13/6/95)	3.62 (21/6/32)
Financial	51.58	50.55	50.31	52.57 (5/6)	41.41 (2/1)	52.57 (5/6/95)	8.64 (1/10/74)
NYSE Comp.	288.18	285.58	284.05	288.23 (8/6)	250.73 (3/1)	288.23 (6/6/95)	4.46 (25/4/42)
Amex Mkt Val	491.41	489.32	488.39	492.10 (31/5)	433.12 (8/1)	492.10 (31/5/95)	29.31 (9/12/72)
NASDAQ Cmp	894.23	887.98	884.38	894.23 (13/6)	743.58 (3/1)	894.23 (13/6/95)	54.87 (31/10/72)

RATIOS

	Jun 9	Jun 2	May 26	Year ago
Dow Jones Ind. Div. Yield	2.60	2.54	2.53	2.68
	Jun 7	May 31	May 24	Year ago
S & P Ind. Div. yield	2.20	2.19	2.21	2.48
S & P Ind. P/E ratio	17.65	17.72	17.61	24.06

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Wal-Mart	6,237,100	26¼	+¼
Long Island	6,153,700	15⅞	+⅛
Citicorp	4,075,900	55⅞	+2⅛
Nat Semi	3,571,400	26⅛	-¼
First Data	3,304,900	56⅝	-¼
Micron Tech	3,267,700	48⅛	+⅜
Fed Dept	3,068,200	28⅛	+1⅛
IBM	2,804,000	91⅛	+1⅝
Seagram	2,750,000	30⅞	+1½
Boeing	2,627,400	64⅛	+2⅜

TRADING ACTIVITY

Volume (million)	Jun 13	Jun 12	Jun 9
New York SE	339.827	287.835	327.571
Amex	21.460	23.574	14.453
NASDAQ	416.154	381.565	397.464
NYSE			
Issues Traded	2,990	2,986	2,973
Rises	1,618	1,252	644
Falls	724	926	1,588
Unchanged	648	798	741
New Highs	139	78	67
New Lows	6	9	10

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Jun	535.30	535.50	-0.70	535.70	534.85	32,791	83,032
Sep	540.70	539.70	-1.10	540.75	539.55	90,458	158,413
Nikkei 225							
Sep	14750.0	14700.0	+50.0	14870.0	14680.0	22,089	99,559
Dec	14700.0	14760.0	+110.0	14760.0	14700.0	11	702

Open interest figures for previous day.

† Correction. * Calculated at 18.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

NORTH AMERICA

CANADA

TORONTO (Jun 14 / Can $)

4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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TOKYO - MOST ACTIVE STOCKS: Wednesday, June 14, 1995

	Stocks Traded	Closing Prices	Change on day
Fudo Const	10.2m	763	+20
Nippon Steel	6.1m	283	-3
Showa Line	4.1m	100	-3
Nissan Motor	4.1m	494	+9
Kawasaki Steel	3.4m	283	+5
NKK	3.3m	195	+2
Mitsubishi Hvy	2.9m	546	+5
Sakura Bank	2.7m	905	+18
Mitsui Eng	2.6m	176	-6
Hitachi	2.5m	797	+8

4 pm close June 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

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- S -

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Continued on next page

4 pm close June 14

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev Close
Continued from previous page										
43¼	32⅞	Salomon	0.64	1.6	10	1377	40⅛	40	40⅛	-⅛
22⅞	19⅛	SnDgGE	1.56	7.2	16	383	22⅛	21¾	21¾	-⅛
10⅛	8	SantaFeERs	0.16	1.6	90	843	10	9¾	10	+⅛
13⅛	9	SFeGd	0.05	0.4	30	6301	13⅛	12⅞	13⅛	+⅛
37⅞	33¼	SFePPipe	3.00	8.0	9	59	37⅝	37½	37⅝	
24⅝	17⅛	SanFdP	0.10	0.4	27	1571	24½	24⅛	24¼	-¼
28½	24⅛	SaraLee	0.68	2.4	54	6199	28⅛	27½	28⅛	+⅝
46¼	33⅝	SBC Cm	1.63	3.6	16	2950	46	45⅝	46	
23¼	20½	Scana Corp	1.44	6.6	14	482	22	21⅞	21⅞	-⅛
18	14½	Scecorp	1.00	5.7	11	3206	17½	17¼	17½	+⅛
11¼	7⅛	SchawkA	0.26	3.2	12	56	8⅛	7⅞	8	-⅛
50¼	42⅛	SchergrRP			25	842	47¼	46⅝	46⅝	-⅞
40⅝	35½	SchrPl	1.16	2.8	18	5961	u40⅞	40½	40⅞	+⅛
66⅞	50⅛	Schlmb	1.50	2.3	27	4495	64⅝	63½	64⅝	+⅞
46⅛	29⅝	SchwabCh	0.24	0.6	24	1600	38½	38	38⅛	-⅛
24⅞	17½	SciAtl	0.06	0.3	23	3335	19⅝	19⅛	19¼	-⅛
19¾	16⅞	Scotpap	0.10	0.6	11	1236	18⅝	17	17½	-1⅝
46⅞	33½	ScottP	0.40	0.9	30	3098	44⅝	43½	44⅝	+⅞
32¼	28⅞	Scripps	0.52	1.7	18	440	31¼	30⅝	30⅞	+¼
21½	14⅝	ScudderNewEur	0.07	0.1		313	15½	15¼	15¼	-⅛
10¼	8⅝	ScudderNEuF	0.16	1.6		113	10⅛	10	10	
16½	13⅝	SeaCnS	0.70	4.8	11	15	14⅝	14⅝	14⅝	-⅛
16	14⅝	SeaCT.4625	1.46	9.6		61	15⅛	15	15	
40¼	23⅝	S'gate			11	3161	40	39¼	39¼	-¼
32½	25⅝	Seagrm	0.60	1.9	17	19300	31⅞	31	31	+⅛
20	15¼	Seagull En			14	596	18⅞	18½	18⅞	
45½	35⅝	Sealed Air			21	118	44⅛	44	44⅛	-⅛
57½	44⅛	SearsR	1.60	2.8	11	5052	57⅞	56¾	57⅞	+⅛
[illegible]										
12⅞	6⅞	Zenith El			13	1644	8	7⅞	8	+⅛
22¾	19⅝	Zenith Nat	1.00	4.7	11	27	21⅝	21½	21½	-⅛
6⅞	6⅛	Zenix Inc	0.72	10.7		97	6¾	6⅝	6¾	
14¾	12⅝	Zero	0.44	2.9	18	367	u15¼	14½	15¼	+¾
20⅞	16⅞	Zum Ind	0.40	2.0	26	238	20¼	20⅛	20¼	+⅛
11¼	10⅛	Zweig Fund	1.04	9.8		384	10⅞	10⅝	10⅝	-⅛
8⅞	7⅞	Zweig Tot x	0.84	9.7		192	8¾	8⅝	8⅝	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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4 pm close June 14

NASDAQ NATIONAL MARKET

4 pm close June 14

AMEX COMPOSITE PRICES

AMERICA

Equities turn positive after early declines

Wall Street

US share prices turned positive in early afternoon trading yesterday after a morning in which investors took profits off the top of Tuesday's gains, *writes Lisa Bransten in New York.*

The Dow Jones Industrial Average moved as much as 20 points lower in morning trading but managed to push into positive territory after midday. At 1 pm the Dow was 0.69 ahead at 4,485.20, while the Standard & Poor's 500 was off 0.27 at 535.78. The American SE composite climbed 5.22 to 496.63 and the Nasdaq composite gained 0.19 at 894.42. New York SE volume amounted to 187m shares.

Both the stock and bond markets had swung up and down markedly since the beginning of this month as investors speculated about the course of monetary policy.

Yesterday's data, showing strong productivity gains in the first quarter and a modestly higher than expected inventory growth in April, drew little reaction because the figures were too old to provide much insight about the second quarter.

Cyclical shares fell amid uncertainty about Fed policy and the strength of the economy. The Morgan Stanley index of cyclical shares fell 0.6 per cent while the counterpart index of consumer shares remained flat. Declining cyclical shares included Rohm & Haas, which fell \$2⅛ at \$51⅜ after saying that it did not expect second quarter net income to exceed that of the same period last year. Honeywell fell \$1 at \$40⅞ and Eaton lost \$1⅞ at \$58⅞.

Shares in companies that provide managed healthcare fell sharply after Humana said that it expected second quarter earnings to be below analysts' estimates due to rising medical costs. Humana lost 15 per cent or \$3⅛ at \$19⅝, United Healthcare \$2⅞ at \$40, Mid Atlantic Medical Services dropped \$1⅞ and Foundation Health \$1⅛ at \$29¼. On the Nasdaq, Oxford Health Plans fell \$2⅛ at \$55⅞, US Healthcare \$1⅞ at \$32⅞, FHP International \$1 at \$22¼ and Pacificare Health Systems \$1⅞ at \$67⅞.

Cor Theraputics lost nearly 47 per cent or \$8⅝ at \$10⅛ after reporting unfavorable results from the test of a drug developed to treat patients undergoing coronary angioplasty surgery.

Canada

Toronto resisted the New York slide with help from golds and the consumer products division. The TSE 300 Composite index was 2.50 higher at 4,494.60 at 1 pm, with the gold and precious metals index up 101.28 at 10,548.76 as bullion reached \$387.75 an ounce in London.

Industrials were generally weak but consumer products, like gold, put on a percentage point. Seagram continued to gain on the MCA/DreamWorks distribution deal, adding C\$⅜ at C\$43¼.

SOUTH AFRICA

Johannesburg posted some late gains as the bullion price made ground in New York. However, sentiment remained nervous on the uncertain outlook for interest rates, which could hit earnings growth prospects in the industrial sector. The overall index was 4.1 better at 5,410.8, industrials picked up 6.7 to 6,791.5 and golds added 11.5 at 1,402.5.

Argentina hit by car exports fears

Buenos Aires fell 2.1 per cent in morning trade, hurt by the prospect of curbs on its car exports to Brazil, which had been helping Argentina to reduce its trade deficit.

The Merval index, which had rebounded earlier this week after last week's 11 per cent loss, was standing 8.88 lower at 405.19.

Brokers noted that Brady bonds and ADRs showed heavy falls on Wall Street, although it was still unclear whether car import quotas, under study by Brazil, would apply to the Mercosur customs union, of which it is a member.

SAO PAULO picked up from early lows but was still weak in midday trade on speculative selling during the day's futures index settlement. The Bovespa index was down 219 at 37,674 at 1 pm, in low turnover of R\$195.6m (\$215.6m).

MEXICO CITY saw early profit-taking after Monday's gains and the IPC index was 12.41 easier at 1,971.36 in morning trade.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: June 9 1995	Dollar terms: % Change over week	Dollar terms: % Change on Dec '94	Local currency terms: June 9 1995	Local currency terms: % Change over week	Local currency terms: % Change on Dec '94
Latin America	(254)	458.90	-4.6	-20.9			
Argentina	(30)	672.19	-10.3	-8.5	412,389.93	-10.2	-8.5
Brazil	(72)	303.69	-6.7	-21.0	1,036.92	-5.7	-14.9
Chile	(36)	910.49	+1.4	+16.1	1,346.88	+0.1	+6.8
Colombia[1]	(16)	763.55	+10.5	-5.9	1,178.97	+10.0	-1.4
Mexico	(68)	406.28	-4.1	-33.2	1,089.78	-3.4	-15.6
Peru[2]	(20)	183.21	-5.1	+2.7	252.24	-4.9	+6.1
Venezuela[3]	(12)	398.59	-0.2	-19.5	1,555.76	-0.2	-19.5
Asia	(657)	258.38	-1.6	+3.6			
China[4]	(20)	70.96	-0.6	-6.5	74.43	-0.7	-8.1
South Korea[5]	(159)	127.10	-1.1	-7.1	127.86	-0.6	-9.8
Philippines	(25)	295.73	-0.3	-0.8	368.24	-0.6	+4.8
Taiwan, China[6]	(93)	128.48	-2.3	-21.9	123.90	-2.3	-23.6
India[7]	(101)	101.95	-0.7	-17.4	113.78	-0.7	-17.3
Indonesia[8]	(42)	108.95	-0.7	+9.2	131.59	-0.7	+10.5
Malaysia	(114)	302.07	-2.4	+12.4	272.05	-2.9	+7.4
Pakistan[9]	(36)	282.66	+3.7	-22.8	397.15	+3.7	-22.4
Sri Lanka[10]	(19)	133.03	+10.9	-22.6	143.84	+11.3	-22.4
Thailand	(68)	420.45	-1.0	+9.6	411.43	-0.9	+7.6
Euro/Mid East	(210)	137.58	+0.3	+16.1			
Greece	(40)	258.76	+1.7	+14.7	394.97	+1.6	+7.4
Hungary[11]	(5)	126.84	-0.4	-16.4	186.34	-0.3	-9.8
Jordan	(8)	187.98	+1.4	+25.3	274.75	+1.7	+23.6
Poland[12]	(16)	455.99	+5.8	-2.8	672.72	+6.2	-6.6
Portugal	(26)	125.17	-0.2	+3.4	126.28	-1.3	-4.7
South Africa[13]	(64)	228.00	-1.6	+1.5	172.93	-1.7	-8.6
Turkey[14]	(44)	181.85	+12.3	+49.4	3,683.91	+12.4	+66.5
Zimbabwe[15]	(5)	259.76	+3.5	+6.2	325.20	+3.7	+7.9
Composite	(1121)	282.57	-1.9	-8.1			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

The resounding victory of Turkey's prime minister, Mrs Tansu Çiller, in local elections 10 days ago appears to have re-established the Istanbul market on the upward track that it successfully took earlier in the year, writes Michael Morgan.

The turnround came at the end of five weeks of consolidation, which was marked by some political turbulence and rising interest rates. Over the previous three months, however, the market had surged by almost 120 per cent, encouraged by an improving economic and political outlook. Yesterday, the index baulked as it approached the 55,000 mark, regarded as strong resistance. The index finished 1.4 per cent down at 52,344.73, but was still within striking distance of the all-time high of 54,653.93, set on April 21.

Mrs Nur Pekin at Schroders is optimistic about the outlook for the summer months, and has a target peak of 60,000 to 62,000 for the index. But later in the year, as the government looks ahead to elections in 1996, she says, it is likely to introduce an expansionary policy, widening the budget deficit; this, in turn, would put downward pressure on equity prices.

Miss Arzu Akkemik at Kleinwort Benson is upbeat, too. She notes that Mrs Çiller's victory in the local elections should ease the passage of important human rights legislation and the Customs Union agreement with the European Union. The victory would also enable the prime minister to claim that she had received a moral mandate to govern the country until next year. Together with a rapidly rebounding economy, surging exports and subsiding worries about the currency, she adds, this points to a summer rally in the equity markets which could take the index to the 65,000 level.

EUROPE

Extended cloud cover for Paris bourse

Bourses got no lift from the Dow in yesterday's European afternoon, *writes Our Markets Staff.* Indeed, the main transatlantic influence was weakness in the dollar: depressive but, in most capital cities, not exactly surprising.

PARIS, however, traded under several clouds: there was nuclear testing, dollar weakness, and disappointment at the lack of a German interest rate cut; unhappiness in the automotive sector; a row between Suez and its major corporate shareholders; and the imposition of "judicial control" upon Mr Guy Dejouany, chairman of Générale des Eaux, in connection with a 1991 bribery probe.

The combination was too much for the equity market, where the CAC-40 index fell 29.14 or 1.5 per cent to 1,893.65 and where turnover rose again, from FFr4.03bn to FFr5.3bn.

Financials were generally weak but Axa, down FFr8.80 at FFr255.20, had more than the Bundesbank to worry about. Mr Michael Woodcock at Williams de Broë noted that Axa's proposed takeover of National Mutual in Australia, a major international strategic move, needed 65 per cent approval from the target's policyholders, who were likely to be prejudiced by the French decision to resume nuclear testing in the South Pacific.

Among automotive stocks, Valeo dropped FFr7.10 more to FFr245.90 and Renault played catch-up with a fall of FFr4.70 to FFr153.10. Générale des Eaux lost FFr15 at FFr550 and Suez FFr3.10 at FFr259.50.

FRANKFURT traded quietly ahead of today's Corpus Christi holiday, turnover easing from DM5.9bn to DM5.8bn as the Dax index closed the post-bourse just 0.59 firmer at an Ibis indicated 2,124.84, after a morning high of 2,137.75 and a session close of 2,128.02.

The Bundesbank's decision to hold interest rates came as no surprise here. The main share price initiatives of the day, indeed, were taken with a view to 1996 as the big retailers, Karstadt and Kaufhof, rose by DM11.50 to DM598.50 and DM11 to DM492.50 respectively. Mr Eckhard Frahm at Merck Finck in Düsseldrof said that traders, once again, were looking ahead to a tax package which should be published next month, which should give some hope for consumer spending and which should take effect next year.

ZURICH was unable to make progress in the face of the dollar's easier tone and ahead of Friday's Soffex expiry. The SMI index dipped 2.8 to 2,798.1, with easier bond futures adding to the pressure after the Bundesbank's decision to leave rates unchanged.

Second-tier stocks continued to catch up, having been largely left out of last week's strong rally. Oerlikon-Buehrle closed SFr5.50 higher at SFr100.50, Holderbank rose SFr13 to SFr956 and Swissair gained SFr6 at SFr752.

Reiter registered jumped SFr15 or 4.4 per cent to SFr353, with its takeover of a US car supplier seen as positive for the company.

Certificates in SGA, which controls 75 per cent of billboard space in Switzerland, jumped SFr22 or 4.8 per cent to SFr480; the company held its first analysts' meetings earlier in the week.

MILAN was flat, with selling by banks and mutual funds prompting some brokers to suggest that the funds might be feeling the impact of redemptions. The Comit index put on 1.46 at 606.81 and the real-time Mibtel index finished 8 lower at 9,757 after a session heavily influenced by the close of the monthly account and the June futures contract.

Fiat remained under pressure, weakening L72 to L5,902, with Tuesday's presentation to analysts failing to dispel worries about the first-quarter performance.

Edison, said to have been heavily bought by one Milan based broker, moved forward L199 to L6,852, while Italgas, finding favour in recent sessions, appreciated a further L43 to L4,328.

AMSTERDAM was pulled lower by a slip in German and Dutch bond prices after the Bundesbank's interest rate decision, the AEX index closing 1.26 off at 430.57. The retailer Ahold retreated 40 cents to Fl 52.90 ahead of the first-quarter figures, due today.

Profit-taking in Ericsson and Nokia hit the STOCKHOLM and HELSINKI markets yet again, the telecoms stocks dropping SKr14 to SKr537 and FM6 to FM208 respectively, and dragging other shares down with them. The Affärsvärlden General index ended 15.9 lower at 1,588.0, and the Hex dropped 17.0 to 1,853.3.

TEL AVIV hit a new 1995 high, the Mishtanim index rising 3.90 or 2.1 per cent to 191.00 and turnover rocketing from Shk110m to Shk189m as rumours circulated that Cable and Wireless was willing to pay Shk800 a share to raise its 7.01 per cent stake in Bezeq Israel Telecom. Bezeq saw Shk36.4m trade by itself as it jumped 10 per cent to Shk792.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Jun 14 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1362.23	1362.42	1361.97	1359.77	1355.68	1352.90	1351.13	1351.12
FT-SE Eurotrack 200	1455.50	1454.02	1454.76	1452.76	1450.19	1447.77	1448.22	1445.63

	Jun 13	Jun 12	Jun 9	Jun 8	Jun 7
FT-SE Eurotrack 100	1354.19	1350.53	1359.31	1371.18	1374.76
FT-SE Eurotrack 200	1447.96	1446.06	1452.28	1463.88	1462.94

Base 1000 (26/10/90); Highday: 100 - 1362.56; 200 - 1456.91 Lowday: 100 - 1350.19 200 - 1446.22 † Partial

ASIA PACIFIC

Hong Kong climbs 2.9% on US rate hopes

Expectations of a cut in US interest rates and the removal of uncertainties over Citic Pacific's holding in HK Telecom took Hong Kong 2.9 per cent higher.

The Hang Seng index rose 261.60 to finish at the day's best of 9,364.77, although analysts cautioned that while turnover of HK\$3.6bn was a marked improvement on Tuesday's HK\$2.4bn, it was still not enough to suggest the start of another bull run.

The property sector was the main beneficiary of expectations of a US interest rate reduction, which would feed through to local rates.

The property index outperformed other sub-indices, gaining 3.9 per cent. Cheung Kong rose HK\$1.70 to HK\$38.80, supported by an encouraging *response to a sale of new* appartments and rumours of a covered warrants issue.

HK Telecom advanced 45 cents to HK\$15.55 on news that Citic Pacific, 70 cents higher at HK\$19.95, continued to hold its 12 per cent stake. Analysts were sanguine about news that Citic's parent company, Citic Hong Kong, which is not listed, was the seller of 61m shares since February.

Tokyo

Reports that the US and Japan will resume talks in Geneva in an effort to reach a compromise over bilateral car trade supported the automobile sector; the Nikkei index closed marginally higher, led by export-oriented stocks, *writes Emiko Terazono in Tokyo.*

The 225 average was up 60.81 at 14,660.49 after moving in a narrow range between 14,634.22 *and 14,801.44. Broadly based* buying by institutional investors in early trading prompted a rise in the futures market, which in turn triggered arbitrage buying. Share prices gave up some of their gains in the afternoon on small-lot profit-taking by brokers.

Volume came to 257m shares, against 319.8m. The Topix index of all first section stocks put on 3.17 at 1,196.33 and the Nikkei 300 edged up 0.84 to 223.10. Rises led declines by 497 to 469, with 203 issues unchanged. In London the ISE/Nikkei 50 index was 2.39 firmer at 992.60.

Reports that Mr Ryutaro Hashimoto, the trade minister, had announced a vice ministerial level meeting in Geneva on June 22 and 23 between the US and Japan over cars encouraged investors. However, some brokers said the rebound was largely technical, following the Nikkei's decline of some 1,000 points over the past four days.

Carmakers advanced, the sector rising 1.2 per cent. Toyota Motor gained Y10 at Y1,620 and Nissan Motor Y9 at Y494. The rise here helped other exporters, especially high-technology issues which had plunged over the past few days on short selling by dealers. Sony rallied Y40 to Y3,840 and Kyocera Y50 to Y6,300.

Shiseido, the cosmetics maker, fell Y22 to Y974 on reports that the Fair Trade Commission, the anti-trust watchdog, was planning to issue a warning over the company's alleged arm twisting of its retailers over prices. Retailers had complained that Shiseido had stopped supplies following sales of its cosmetics at discount prices.

Japan Tobacco, the tobacco monopoly which was privatised last year, receded Y6,000 to Y720,000. Traders said individual investors facing margin calls were being forced to liquidate their holdings.

Some banks continued to lose ground on small-lot profit-taking. Dai-Ichi Kangyo Bank slipped Y10 to Y1,570 and Bank of Tokyo was also off Y10, at Y1,440.

In Osaka, the OSE average moved up 16.82 to 15,739.49 in *volume of 8.7m shares. Machin*ery stocks were bought back. Rohm improved Y40 to Y3,870 and Shima Seiki advanced Y190 to Y3,700.

Roundup

The rest of the region, too, offered wide variations in performance.

TAIPEI dropped 1.8 per cent, hitting a 14-month low for a second consecutive session as recent reports of bounced cheques and financial troubles at several domestic construction groups severely damaged investor confidence.

Textiles and papers were hit hard, falling 4.4 and 3.5 per cent as the weighted index shed 99.96 to 5,413.74. However, turnover was the lowest since April 1 last year at T\$34.99bn.

SYDNEY worried about domestic interest rate prospects and the All Ordinaries index lost 12.4 at 1,966.5. The transport, security and health care conglomerate Mayne Nickless tumbled 33 cents to A\$5.80 after it downgraded its short-term profits outlook.

COLOMBO saw profits taken and the all-share index fell 8.67 to 741.89. But BOMBAY rose, the Sensex index closing 25.39 higher at 3,324.86 at the beginning of a new account in "A" group shares.

The day's other rallies included BANGKOK, up 1.2 per cent as investors snapped up what they considered to be bargain-priced finance issues, the SET index firming 15.88 to 1,387.88 in turnover of Bt8bn.

KARACHI held a special, late session to trade on the Pakistani budget. The withdrawal of tax exemption on "bonus" shares and issues hit the market, leaving the KSE 100-share index 21.41 or 1.3 per cent lower at 1,610.85.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JUNE 13 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JUNE 12 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (83)	163.15	-0.2	151.69	86.79	119.12	150.86	-0.3	4.16	163.51	151.86	86.97	119.26	151.39	180.82	157.95	173.93
Austria (26)	192.26	-0.7	178.75	102.28	140.38	140.20	-0.6	1.26	193.61	179.80	102.97	141.21	141.03	198.89	167.48	182.64
Belgium (35)	190.76	0.0	177.36	101.48	139.28	135.79	0.2	3.85	190.78	177.17	101.47	139.14	135.55	201.12	161.66	167.33
Brazil (28)	135.59	2.0	126.06	72.13	99.00	228.49	1.8	1.48	132.97	123.49	70.72	96.98	224.57	-	-	-
Canada (102)	141.28	0.5	131.35	75.16	103.15	141.56	0.8	2.50	140.58	130.55	74.77	102.53	140.42	141.69	120.54	128.42
Denmark (33)	279.86	0.4	260.19	148.88	204.33	208.73	0.5	1.52	278.76	258.88	148.26	203.31	207.80	287.44	236.61	256.81
Finland (24)	216.59	-1.1	201.37	115.22	158.14	195.74	-1.1	1.58	219.01	203.39	116.48	159.74	197.80	219.01	133.88	136.75
France (101)	183.23	0.4	170.35	97.47	133.78	142.11	0.6	3.13	182.50	169.49	97.07	133.11	141.28	191.17	157.79	163.54
Germany (59)	156.63	-0.3	145.62	83.32	114.36	114.36	-0.2	2.07	157.07	145.87	83.54	114.56	114.56	157.98	132.08	135.83
Hong Kong (55)	356.58	-0.3	331.52	189.70	260.35	354.06	-0.3	3.86	357.64	332.14	190.22	260.85	355.12	416.42	277.40	372.90
Ireland (16)	228.88	-0.2	212.80	121.76	167.12	197.66	-0.1	3.62	229.25	212.90	121.93	167.20	198.07	230.95	181.99	186.03
Italy (58)	72.13	-0.1	67.07	38.37	52.67	89.47	0.2	1.91	72.24	67.09	38.42	52.69	89.32	88.79	65.45	87.26
Japan (483)	143.70	-1.0	133.61	76.45	104.92	76.45	-0.9	0.98	145.09	134.75	77.17	105.82	77.17	170.10	136.96	166.34
Malaysia (97)	533.73	-0.5	496.23	283.94	389.70	501.40	-0.5	1.63	536.13	497.91	285.15	391.04	503.96	594.76	398.16	475.65
Mexico (18)	944.19	1.4	877.83	502.29	689.38	6395.24	0.1	2.10	931.03	864.64	495.18	679.05	6387.59	2414.12	647.81	2032.98
Netherland (19)	248.85	0.0	231.36	132.38	181.69	178.52	0.2	3.57	248.94	231.19	132.40	181.57	178.24	252.34	194.56	199.09
New Zealand (14)	81.00	0.9	75.31	43.09	59.14	64.20	0.6	4.65	80.29	74.56	42.70	58.56	63.83	84.31	64.00	69.04
Norway (33)	222.88	0.2	207.21	118.57	162.73	189.12	0.2	2.23	222.51	206.64	118.34	162.29	188.70	230.07	177.58	185.28
Singapore (44)	394.72	0.3	366.99	209.98	288.20	253.47	0.4	1.69	393.53	365.47	209.30	287.03	252.49	414.26	313.94	342.01
South Africa (61)	338.91	-0.3	315.09	180.29	247.44	271.73	-0.5	2.56	339.91	315.67	180.79	247.92	272.98	363.22	261.43	278.70
Spain (38)	146.86	0.6	136.54	78.13	107.22	135.63	0.6	4.18	145.98	135.57	77.64	106.47	134.83	151.79	124.10	142.74
Sweden (48)	263.96	-0.3	245.41	140.43	192.73	283.23	-0.2	2.11	264.81	245.93	140.84	193.15	283.81	266.60	196.70	212.56
Switzerland (46)	198.06	-0.3	184.14	105.36	144.61	142.17	-0.2	1.80	198.58	184.42	105.62	144.84	142.44	199.48	155.05	161.05
Thailand (46)	169.79	0.1	157.86	90.33	123.97	162.31	0.1	2.69	169.56	157.47	90.19	123.67	162.16	-	-	-
United Kingdom (203)	216.21	-0.1	201.02	115.02	157.87	201.02	0.1	4.16	216.32	200.89	115.05	157.78	200.89	218.27	181.11	187.39
USA (506)	219.04	1.0	203.65	116.53	159.93	219.04	1.0	2.69	216.93	201.46	115.38	158.22	216.93	219.15	180.55	187.27
Americas (654)	200.60	1.0	186.50	106.72	146.46	168.33	1.0	2.61	198.68	184.51	105.67	144.91	166.72	-	-	-
Europe (739)	188.11	0.0	174.89	100.07	137.34	158.12	0.1	3.16	188.19	174.77	100.09	137.26	157.98	190.51	160.59	164.62
Nordic (138)	253.89	-0.3	236.05	135.07	185.37	225.39	-0.2	1.93	254.57	236.42	135.40	185.67	225.80	255.82	197.70	203.28
Pacific Basin (822)	153.87	-0.8	143.06	81.86	112.35	87.66	-0.8	1.37	155.15	144.09	82.52	113.16	88.38	176.86	145.93	173.75
Euro-Pacific (1561)	168.04	-0.5	156.23	89.40	122.69	113.70	-0.4	2.20	168.82	156.78	89.79	123.13	114.15	178.33	154.73	169.78
North America (608)	214.23	0.9	199.17	113.96	156.41	213.79	1.0	2.83	212.20	197.07	112.86	154.77	211.75	214.30	176.83	183.62
Europe Ex. UK (536)	168.82	0.0	156.96	89.81	123.26	134.09	0.1	2.60	168.89	156.85	89.83	123.18	133.96	171.29	144.12	148.60
Pacific Ex. Japan (339)	250.89	-0.2	233.26	133.47	183.19	220.56	-0.2	3.22	251.33	233.41	133.68	183.31	221.07	273.13	211.19	248.16
World Ex. US (1770)	168.80	-0.4	156.94	89.80	123.25	117.32	-0.3	2.21	169.50	157.41	90.15	123.62	117.73	178.73	166.42	170.81
World Ex. UK (2073)	180.96	0.1	168.24	96.27	132.12	141.39	0.1	2.18	180.73	167.84	96.12	131.81	141.17	187.07	163.46	174.06
World Ex. Japan (1793)	206.94	0.5	192.38	110.09	151.09	192.66	0.5	2.86	205.93	191.25	109.53	150.20	191.65	208.74	176.74	182.31
The World Index (2276)	184.03	0.1	171.10	97.90	134.36	146.48	0.1	2.37	183.83	170.72	97.77	134.07	146.26	189.27	165.92	175.25

Constituent change with effect 15/6/95: Deletion: Pancontinental Mining (Australia). Constituent changes with effect 19/6/95: Addition: CS Holdings (Registered). Deletion: CS Holdings (Bearer) (Switzerland). Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

TELECOMMUNICATIONS IN BUSINESS

Thursday June 15 1995

Analysts are agreed that customer attitudes are becoming the principal determining factor in the development of telecoms. It will be a testing new experience. **Alan Cane** reports

Customers have the advantage

Telecommunications users are, and will continue to be, the chief beneficiaries of successive waves of liberalisation and privatisation which are reforming the global telecoms business.

Prices are falling, new and attractive services are on offer and in the offing, and in many countries choice of operator is now a reality.

Business users are demanding better, cheaper and more flexible services from telecoms companies with some hope of having their wishes met – often for the first time .

Reform is likely to be steady rather than dramatic, however. In Europe it will be years before the bureaucratic and arrogant attitudes ingrained in many telecoms operators – through a deadly combination of state ownership and monopolistic service provision – are eliminated.

British Telecommunications, for example, privatised in the early 1980s, is only now emerging as an aggressive, world-class competitor. AT&T, the largest US long-distance carrier, is building alliances around the globe but still suffers from a certain insularity of attitude.

This is the justification for the formation last year of the European Virtual Private Network Users' Association, a lobby of 40 of Europe's largest companies including big banks and leading manufacturers. They aim to force the large telecoms operators to listen to their requirements.

Mr John Sale, who works for EDS of the US, chairs the group. He says that pan-European companies had in the past found monopolist operators turning a deaf ear to their wishes. Now by acting in concert the group can demand lower prices and better services in advance of the January 1, 1998 deadline for the liberalisation of telecoms in most European economies.

At the same time, telecoms and computing seem to be converging, finally, to give real substance to the idea of an information technology revolution. There have been many false dawns over IT in the past three decades but the enormous interest in the Internet – a worldwide but primitive and anarchic computer network – suggests that the potential of linking high-speed communications to computer processing is now broadly appreciated.

Telecommunications and computing seem to be converging *BT Picture*

Electronic mail on the Internet, for example, is beginning to replace facsimile as a business tool. The problem of introducing security to an essentially insecure network (the Internet pioneers wanted it to be easy to connect to) is being addressed. And a number of significant companies – including First Union Corporation in the US and Barclays Bank in the UK – are introducing shopping and payment services over the Internet designed to be proof against fraud. In France, it is now possible to access "Minitel" services over the Internet.

Interest in the Internet has been most marked in the US where there are some 1.3m "host" computers – that is computers with direct connections to the Internet and capable of providing services. According to the Internet Society there are now 270,000 hosts in the UK and 304,000 in Germany.

The growth of mobile phones continues to be dramatic as prices fall and the customer profile changes from principally large organisations to small and medium-sized businesses and, increasingly, people working from home.

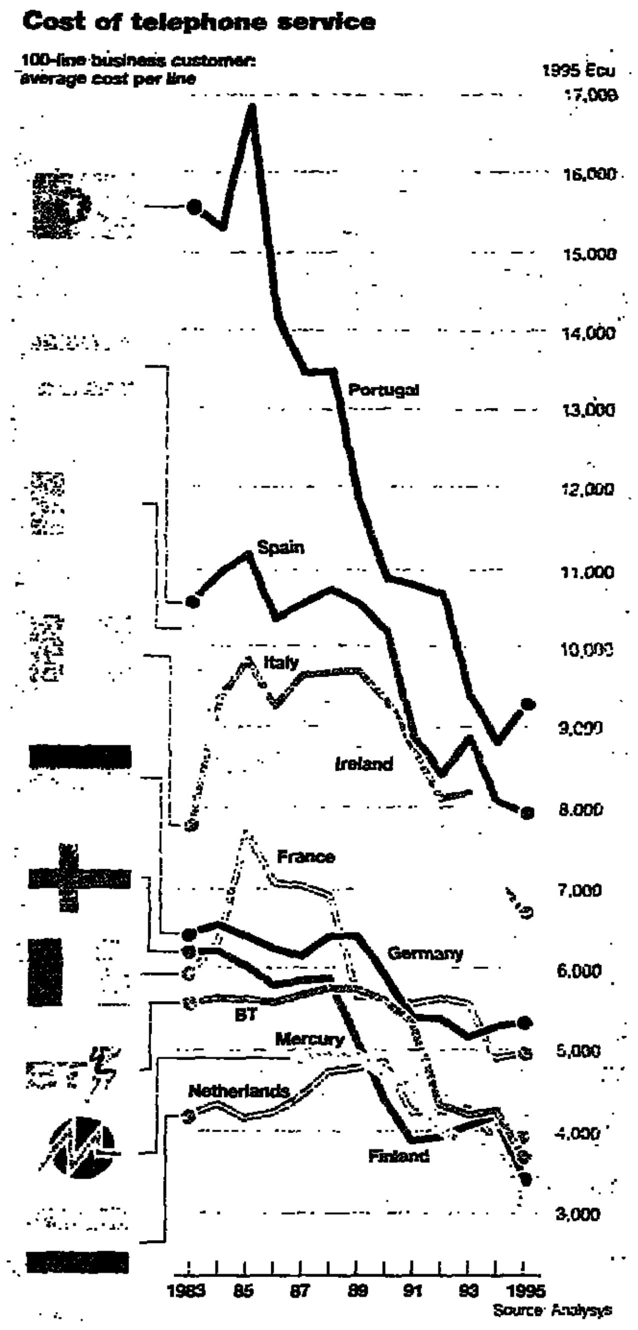
The popularity of mobile telephony, however, is bringing its own problems. Cellular technology makes the best use of available wavelengths, but there is a limit to the number of subscribers who can be accommodated. GSM (Global System for Mobile telephony) was introduced as a high quality service for business use. GSM is now standard across Europe and increasingly, the rest of the world.

In some areas where mobile telephony proved an early success – Scandinavia, for example – the airwaves are already cluttered and operators are seeking to exploit new parts of the radio spectrum.

Mobile subscribers already represent about 17 per cent of the number of fixed lines and the proportion is growing rapidly. With the evolution of the world phone, a hand-held device able to switch automatically from cordless operation in the office to cellular operation in the city and to satellite transmission in remote areas, fixed lines may be increasingly for the information superhighway, the carrier for multimedia services.

Finally, business customers themselves are facing structural upheaval along with the prospect of new and intensifying competition; shortened product development cycles and time to market; and rapid technological change. They are competing in time and have to hone their telecoms activities to match the challenge.

Many have decided they no longer want the difficulties and problems of managing their own IT operations and have outsourced them to a third party. The largest telecoms operators have allied themselves into consortia to provide "managed network services" – essentially to run global networks on behalf of their large customers: British Telecommunications and MCI of the US through "Concert", AT&T and Unisource through "WorldPartners".



Deutsche Telekom and France Telecom have an alliance called "Atlas". It has fallen foul of the regulators in Brussels, however, and may not be able to proceed.

Regulation, in fact, remains a barrier to progress especially in Europe where little change will be seen before the 1998 deadline. Organisations building private networks today have to deal with a plethora of authorities and regulations.

Telecoms costs are low in countries where liberalisation has encouraged free competition, among them the US, the UK, Sweden and New Zealand. In anticipation of competition, prices have been falling across Europe. In some countries, however, telecoms charges still represent a substantial extra burden on business.

Analysys – a Cambridge, UK-based consultancy which specialises in telecommunications costs – estimates the total average cost per line in European Currency Units, for a 12-line business customer as Ecu2,456 for a customer of Deutsche Telekom, Ecu2,269 for a customer of France Telecom but only Ecu1,585 for a customer of Mercury Communications in the UK.

The key to the new services that customers are now enjoying and can anticipate for the future is the intelligence which resides in modern networks and switching systems. Telephone exchanges are today merely large computers; what they can accomplish is determined by the software which runs on them. Virtual private networks – which provide the services typically available only through a private network over the public switched system – and bandwidth-on-demand are two of new possibilities from intelligent networks.

Analysts are agreed that customer attitudes are becoming the principal determining factor in the development of telecoms: "In the future, there will be no loyalty in the customer base," says Andersen Consulting. "Until recently customers had to settle for what carriers offered at set prices. As their options open up, they will begin to treat telecoms service providers like any other supplier, demanding competitive prices and customised service to meet their needs. If customers do not get what they want they will switch".

It will be a testing new experience for customers to dictate their telecoms requirements; now that the confluence of circumstance has given them the advantage, it should not be relinquished lightly.

IN THIS SURVEY

Production Editor: Philip Sanders

TELECOMMUNICATIONS IN BUSINESS 2

Interview: Malcolm Wollaston of 3M on a big user's requirements

Global operators needed

It is the perfect demonstration of 3M's commitment to leading edge telecommunications. Malcolm Wollaston, the company's global telecommunications manager, welcomes you into his office and the meeting begins; suddenly his desktop computer imposes its presence on the discussion.

Images of Mr Wollaston in his Bracknell, UK, office together with another neatly suited executive appear in separate windows on the screen as the loudspeaker crackles into life. It is a colleague calling from Brussels, courtesy of desk-top video.

The system, built around technology from the US company PictureTel, is set up for urgent communications. It interrupts whatever Mr Wollaston is doing just like a telephone call. "We have invested $5m in this technology, partly to cut the cost of travel but principally to accelerate decision-making," Mr Wollaston says.

"A 3M production facility in Japan came to a standstill. We needed to consult with the specialists in our US laboratories and engineering facilities. We hooked up a videoconferencing system in four hours to link 22 experts and we had that production line rolling in 13 hours. The team would not have been half way over the Pacific by the time we had the problem solved."

Mr Wollaston, with almost 30 years' experience in 3M during which time he has been responsible for the group telecommunications operations in the UK, Europe and now worldwide, is accustomed to thinking globally.

3M, which makes everything from adhesives and fabrics to speciality chemicals, has operations in 61 countries, employs 85,000 people and markets 60,000 products. Turnover is $15bn.

Data transmission represents only a fifth of the company's telecoms spend, but it is critical for business development

Mr Wollaston is rarely satisfied in his search for telecommunications suppliers who can meet the company's global aspirations. He points out: "There are a number of companies who describe themselves as global, but with all due humility, 3M could show these companies what being global really means."

"KDD of Japan, AT&T of the US, BT here in the UK: all of these companies would claim to be global operators but there are some remarkably large tracts of this earth where they do not appear."

His solution is to use AT&T as principal services supplier worldwide, but to use the principal national operator in each country where 3M is engaged in business. "We use AT&T where we are able to, and elsewhere we select the best of local breed," he says.

"In the case of AT&T we have made significant progress because, through negotiation, we have persuaded it to appoint three global account managers – one for the Asia Pacific region, one for North America and one for Europe. The effect of that is that I can pick up the phone and talk to the account manager anywhere in the world.

"The three of them meet in a audio or video conference once every 10 working days and exchange all the information on 3M's telecoms activities worldwide. The result is, they know about all the hot issues we are seeking solutions for."

3M has a number of advantages in dealing with the big telecoms suppliers. It has considerable in-house telecoms expertise with its own laboratories and skilled technicians.

And it has financial clout, spending some £150m a year on its telecoms infrastructure. Such organisations have little difficulty is getting the operators to concede volume discounts of between 10 and 40 per cent.

But as Mr Wollaston points out, 3M is not in the telecoms business: "It is absolutely crucial to the development and success of of our business, but it is not a core product. We have 2,000 suppliers of telecoms products worldwide and that is a significant management challenge. We would like to reduce that number substantially."

Is is likely, therefore, that 3M will outsource its telecoms activities? Not as such: Mr Wollaston draws a clear distinction between "outsourcing" where a company hands over its entire telecoms infrastructure to a third party against an agreed level of service and "facilities management" which he defines as selecting areas which an outside company could manage effectively:

"We do not want to outsource control, direction or strategic decision-making. We want to retain the ability to select the technology of our choice and we would be cautious of getting locked into dependance on another supplier."

Mr Wollaston has four principal aims for the immediate future.

First, he is seeking integrated services digital network (ISDN) services in areas such as Asia Pacific, South America and Africa where the infrastructure is patchy. ISDN is essential for effective videoconferencing.

Second, he is looking for more efficient data communications in the world's underdeveloped regions.

Data transmission represents only a fifth of the company's telecoms spend, but it is critical for business development.

Third, he hopes to open a virtual private network across Europe. This year, 3M, in conjunction with a number of other large suppliers, will begin to test a Europe-wide virtual private network provided by AT&T and BT.

Virtual private networks are made possible by intelligent switches and provide advanced features such as caller line identification and call-following over the public switched network.

Mr Wollaston is a board member of the European Virtual Users Association: the group used its combined purchasing power to persuade AT&T and BT to co-operate to create the virtual network.

He has little time for the conventional national demarcation lines: "All the operators are trying to protect their own turf while I am looking for transparency and interoperability. I want them to work together behind the scene to meet my business requirements. What you get is the old finger-pointing: 'That is not on my patch; not my responsibility'," he says, with a touch of exasperation.

Fourth, he hopes to move conventional data communications to a faster, cheaper alternative called "frame relay" – a precursor to Asynchronous Transfer Mode (ATM) which many believe is the digital technology which will make possible the information superhighway.

Mr Wollaston, however, tells a story which speaks volumes about progress in telecoms.

"I remember that ISDN was the star of the trade show Telecom '79. The Italian telecoms authority said they would have ISDN lines through most of Italy by 1981. Now, 16 years later, we are still struggling to have ISDN in the Genoa region. If ATM takes as long to deliver, I shall be retired before we are using it".

Alan Cane

Wollaston: a perfect demonstration of 3M's commitment to leading edge telecommunications *Picture: Ashley Ashwood*

Interview: fast-growing new London operator Colt

Further price cuts forecast for the City

Mr Paul Chisholm has just changed jobs within Colt (City of London Telecommunications), a provider of telecoms services primarily to businesses in the City of London. Now in charge of a planned European expansion, he was formerly the supplier's managing director and is also involved in the Other Licensed Operators Group – an organisation of 20 public telephone operators which has focused its discussions with British Telecommunications and the industry watchdog Oftel on lowering barriers to market entry.

Although some businesses have been complaining that pricing in the industry is too high, even though telecoms deregulation has been moving swiftly for some time, Mr Chisholm does not agree: "I guess I'd be taken aback a little bit if customers generally think prices are too high. People have probably unrealistic expectations of how much prices will fall with competition."

But he adds: "The benefits of competition have meant that prices have come down for most customers in the City and the main city regions of England. Switch calls, for example, have come down dramatically. Regional companies, such as Colt, Energis and the cable companies have done that. International rates have also fallen. The traditional BT price to the US was something like 42p a minute. Mercury is about 38p. The going rate for companies in the City now is about 20p."

Mr Chisholm believes that businesses can look forward to further price-cutting activity and draws a parallel with the US: "Competition has been in place in the US for about 20 years. For 15 of those, prices came down. Only in the last few years have prices stabilised."

However, for companies outside the City of London, he is less hopeful. An organisation based "where competition has not taken a foothold" – an example he gives is the east of England – might not be able to shop around for competitive telecoms rates.

He argues that competition has made BT cut its retail prices but the wholesale charges between BT and Colt are a bone of contention. Without Oftel, he says, "there's no reason for BT to move. In the wholesale market it has 96 per cent of the terminations [the destination of each call] in the UK. Customers complain that they want free local calls. We can't give them that because we have to pay BT for all those final connections."

So there is a need for a regulator: "BT is too strong but Oftel's performance in general has been tremendous." He points to the work that has been done on simplifying contracts and pricing agreements between telecoms operators. In particular he is pleased with the negotiations that have taken place on interconnection charges – the price paid when calls are passed from one operator's network to another.

"When the Other Licensed Operators started up there were no standard contracts or standard pricing in the industry. That's been resolved. Negotiating interconnection agreements was difficult, time-consuming and expensive. But a new operator now has access to information, product, pricing and terms and conditions from which it can develop a business plan."

Mr Chisholm admits that there is still much more work to be done as regards competition and regulation. "There is no problem getting a licence but that does not mean there are no barriers to effective entry. There are many inherent benefits accrued to BT by virtue of its monopoly power. It is necessary to see the national network as a national asset open to all public telephone operators. These operators must become part of the process in order to improve services and bring choice to customers."

In Colt's view, slowness to change impedes the chances of business customers being serviced exactly to requirements. But there is still plenty of room for smaller suppliers to specialise in particular services – as Colt's customers in more than 300 City of London buildings would probably testify.

Adrian Michaels

Chisholm believes businesses can look forward to further price cuts

Christopher Price looks at the impact on BT and Mercury of new UK operators

Drive for residential customers

The raft of price cuts announced recently by British Telecommunications is yet another sign of the UK's biggest telecoms group feeling an increasingly tightening pinch from other operators.

There are more than 100 licensed operators in the UK, but BT's move – lopping some £310m from customers' bills – is a mark of how seriously it considers the threat from new entrants into the market, particularly the cable companies.

They have been focusing their drive for new business chiefly on residential customers and BT's decisive response earlier this month was also aimed at that part of the telephony market. However, the growing inroads being made by both cable companies and other licensed operators into the business market is unlikely to go unnoticed, or unchecked.

Three of the most prominent challengers to the dominance of BT and Mercury, the first alternative telecoms operator to be licensed, include Colt, which operates in the City of London, Energis, owned by the National Grid, and MFS, the US telecoms group.

Colt was awarded its first telecoms licence – for use in the greater London area – two years ago, although it has limited itself largely to the UK capital's financial centre, the City of London. It has laid about 110km of cable at a cost of £30m and services some 350 buildings in the City.

Challenger: the Colt (City of London Telecommunications) network

The group, which is owned by US investment house Fidelity, turns over about £10m a year. It has recently applied to the UK government for a national operators' licence, although it is also eyeing other city areas, such as Manchester, Birmingham and also the M4 corridor.

Colt has signed a preferred supplier agreement with Energis, each company using the other's area strengths – Colt in the City and Energis for its long-distance network.

Energis arrived just under a year ago, using National Grid's pylons to carry its 3,500km fibre optic network, with an initial investment of £250m. Its stated aim was to target small and medium-sized business customers.

Launched in March this year, MFS's fibre network covers most of the City and Docklands and is being built out to Southwark and Westminster. The company is considering a plan to extend the network to the Thames Valley, putting MFS within reach of 35 per cent of the UK's big telecoms users.

The big selling point of all the new telecoms operators is price. Colt, for example, claims to be 15-20 per cent cheaper than BT. The issue is inevitacontentious, with BT at pains to point to the "hidden" costs carried by some operators. While admitting that its basic call costs are often higher than those of competitors, BT also likes to stress the experience, service and breadth of expertise the company has built up.

However, growing numbers of business users have been switching to the new operators, drawn by promises of cheaper rates, but also attracted by other considerations. For example, a move to Energis by life insurance group London and Manchester was technology-driven. The telecoms group was developing a call management information system in conjunction with a Toshiba telephone system used by L&M. The insurance group, which is headquartered in Exeter but which has 40 field sites, was keen to garner more information about its telephone usage, which Energis was able to offer.

"The management information system we now have from Energis allows our local managers to be in control of their call costs and even monitors the quality of telephone service we give to our customers," said Mr John Willis, the group's telecoms manager.

He praised the attitude of Energis, particularly on its business emphasis. "Energis come from a different angle to deal with small and medium businesses. They seem to understand what our type of requirements are."

Price was also an important factor, admitted Mr Willis, although the company continued to keep its options open. "We also continue to use BT, Mercury, Energis and have just signed up with our local cable provider, Eurobell." He said that the group's suppliers would be reviewed periodically and the group would choose its provider on price and service. "The more suppliers, the stronger our position on price."

A similar system exists at Reuters, which uses the big two, along with Colt. The US-owned group was used initially on a project to provide a Synchronus Digital Hierachy service – essentially a line back-up service – to the news and information group last year. Since then, Reuters has used the telecoms provider more extensively.

"They proved themselves in terms of price and service. They listened to what we wanted and went away and delivered," said Mr Kirk Langley, a marketing manager at Reuters.

Mr Langley said there was a perceived loyalty to the group's traditional telecoms suppliers. However, the situation was "application specific... if a new player comes comes on board we are very happy to try them out."

Similar criteria were sought by Mr Richard Lander, manager of multimedia services at Telerate, the financial information group. It has recently launched a screen-based information system to dealers in the City of London. It began its search for a telecoms provider last October.

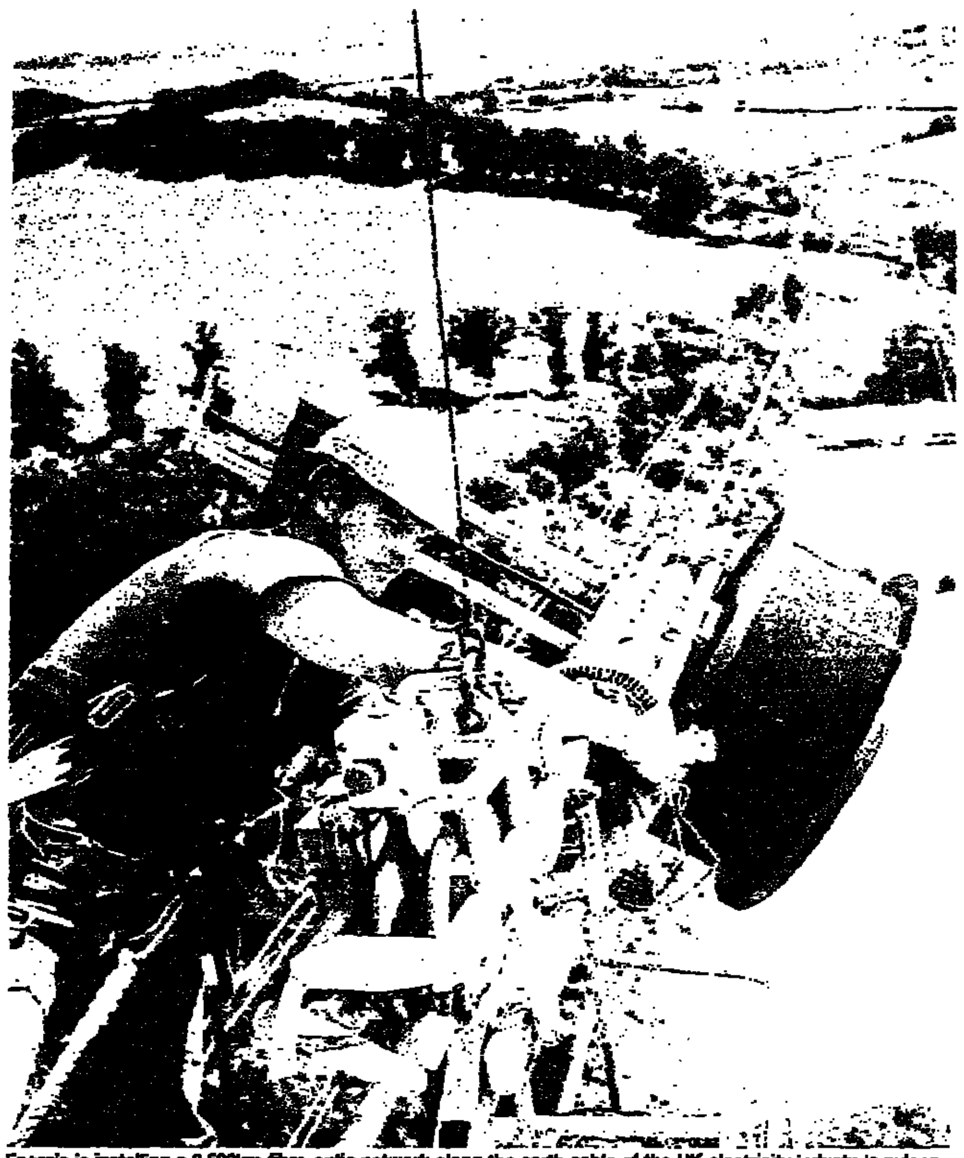
"We needed a supplier who was flexible, responsive to our needs, had a good effective business plan and was also price-effective for our requirements," said Mr Lander.

After sourcing all the main providers, Telerate chose MFS. "They were the most hungry for the business; their whole attitude was better," said Mr Lander.

The difference in price between the different operators was "significant" according to Mr Lander, with Colt and MFS "well ahead" of BT and Mercury. "We knew what price we were charging for our service and so had to find a cost that we could manage for our supply."

The development of competition among the telecoms operators had put companies in the driving seat, according to Mr Lander. He has no fears about being tied into one operator. "If an operator offering competitive rates decided to hike up their prices, customers would just vote with their feet, it's as simple as that."

BT said that their "vigorous" response to the arrival of new entrants had resulted in the group winning back market share in the City, up from 50 per cent in 1993 to 70 per cent in the first quarter this year.



Energis is installing a 3,500km fibre-optic network along the earth cable of the UK electricity industry's pylons

Colt control centre in London. Colt was awarded its first UK telecoms licence two years ago and has laid about 110km of cable at a cost of £30m

TELECOMMUNICATIONS IN BUSINESS 4

The Internet has now reached critical mass, reports **Paul Taylor**

Revenues of $10bn forecast

The Internet, once little more than a playground *for computer hobbyists*, has become an important business tool providing a global communications facility, marketing and research device and a channel for electronic commerce.

"The Internet is going to be a huge moneymaker," says the US-based Forrester Research group in a recent report. Forrester estimates that overall market revenues from Internet-related products and services will grow, "from a respectable $300m last year to a $10bn juggernaught by the end of the century."

Specifically, Forrester predicts that software for Internet applications will grow into an annual market worth more than $750m by the end of the decade, Internet access fees will climb to over $500m, new Internet activity will generate $350m in new hardware sales and Internet-related services and consulting will reach $225m.

SRI International, another market research firm, argued in a report published at the end of May that the Internet "can serve a critical role in allowing companies to establish and maintain relationships with their clients, which in turn allows them to become more responsive to clients and to promote sales of additional *products and services*."

The Internet has expanded rapidly in recent years. It now has about 40m users and connects more than 40,000 individual networks and almost 5m host computers with about a third of them in Europe.

A new network is connected to the Internet every 30 minutes and 1m new users join *each month. By the year 2000*, some industry participants are predicting 100m Internet users.

Almost *half* the US publicly-traded companies with annual sales over $1.5bn have a presence on the Internet and new commercial sites are almost doubling each year, according to the Internet Society, an international organisation that oversees technology *and* applications of the Internet. About 60 per cent of Internet traffic is of commercial origin.

The recent surge of business interest in the Internet has been driven by several factors. These include the development *of easy-to-use software for* searching the Internet's vast information resources and the lure of low-cost global data communications.

Most importantly, however, the Internet has now reached *"critical mass" – there are so* many potential customers that businesses cannot afford to ignore it.

The most popular commercial uses of the Internet are internal and external electronic mail – used by up to 80 per cent of businesses – file transfer (50 per cent) and access to external data (40 per cent).

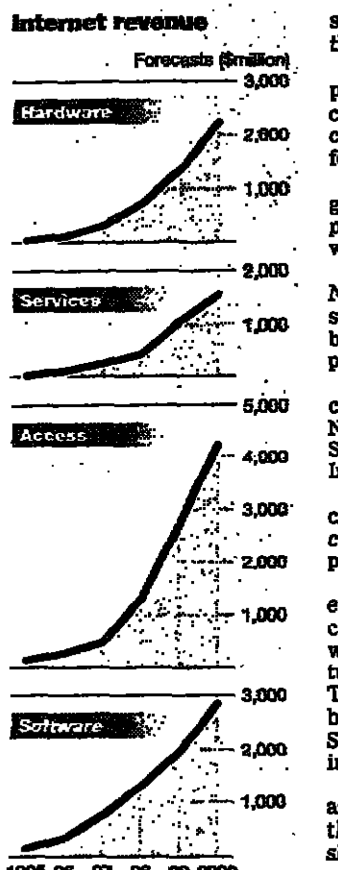
Over the past few years the Internet has become a conduit for millions of electronic messages. Unlike telephone calls, *facsimiles or conventional* mail, the cost of Internet electronic mail is independent of how far the message must travel, making it a big cost saver for international communications.

In the future, the Internet could also become an important medium for cut-price voice traffic as well as data. Although the use of the Internet for telephone calls currently suffers from a number *of drawbacks Mr Peter Dawe*, managing director of Pipex, the largest UK-based commercial Internet service provider, believes this will change rapidly.

Software packages which allow person-to-person voice calls over the Internet are already available and more sophisticated hardware and *software packages are* just around the corner.

In the meantime however the fastest growing portion of the Internet is the "World Wide Web" (WWW), which provides a standard set of protocols for presenting and retrieving "pages" of information.

Traffic on the WWW increased more than 10-fold in 1994 *and* by *early this* year there were more than 15,000 World Wide Web "home pages" set up by individuals, academic institutions, companies, government departments and other organisations.



Many companies have established "electronic billboards" on the WWW to show off their wares, creating a flourishing "commercial district" on the Internet.

"The WWW has almost single-handedly transformed the net from a members-only sandbox into a gigantic crossroads with *strip malls, noveau info*-publishers, and EDI depots," says the Forrester report.

WWW sites range from simple product lists to elaborate multimedia presentations incorporating three-dimensional images, sound and video created using *the latest WWW software* including WebSpace, from Silicon Graphics which can be used to create three-dimensional "virtual worlds" and Hot Java from Sun Microsystems.

Hot Java is a new Web browser which instead of simply transferring static pages of text and graphics to a user's computer, *also* down-loads small software applications created using Sun's Java programming language.

Beyond marketing, communications and electronic publishing, the real promise of the Internet is electronic commerce – *transactions* conducted via computer networks.

The development of electronic shopping over the Internet has been held back by security concerns, however *this is now changing*.

In Silicon Valley, for example, a consortium of high-tech companies is creating CommerceNet, an Internet marketplace for electronics products.

Using a secure browser program, customers can order products directly over the network using their credit cards.

Using the latest version of *Netscape's WWW browser*, secure shopping malls have been set up by US-based companies.

These include marketplaceMCI, the Internet Shopping Network and Access Market Square run by Utah-based InterConnect West.

Meanwhile Barclays Merchant Services launched BarclaySquare, *an electronic* shopping mall, last month.

BarclaySquare uses the encryption features of Netscape Navigator v1.1 coupled with proprietary security features developed by Interactive Telephony, a private Jersey-based company which operates Supernet, an embryonic on-line information service.

However not everyone agrees about the potential of the Internet for electronic *shopping*.

According to a recent Dataquest survey, fewer than 25 per cent of Internet users are willing to make an on-line credit card purchase.

Although the Dataquest survey confirmed that security *was a primary concern – more* than 60 per cent of the survey respondents considered security to be very important – security is only a small part of the lack of interest in on-line shopping today.

"The key factors behind the growth of electronic shopping are developing compelling applications and producing scenarios *that focus* on the consumer rather than the merchant," said Allen Weiner, a principal analyst with Dataquest.

"Applications need to provide convenience as well as a pleasurable shopping experi*ence to be successful with the* consumer; simply providing a different way of doing the same old thing will not lead to success in this market."

The growth of the Internet is *also fueling the development of* a dynamic hardware, software and services industry to support the Internet itself.

Input, the market research firm, estimates that the Internet will drive the development of a software, *support* and services market in Europe alone worth $35bn in annual revenues by the end of *the decade*.

"The Internet phenomenon is the biggest information services story of the 1990s," says Mr Peter Cunningham, Input's president and founder.

In the US, for example, Sun Microsystems, the leading supplier of computers linked to the Internet, is also itself a heavy user of Internet *applications*.

The computer company is using the WWW to reduce costs of employee and customer training, printing, software distribution and customer service. Sun claims to save about $1m each quarter by distributing software patches and pre-release versions of new programs on the WWW.

Nevertheless for all of its advantages, the Internet has a number of drawbacks. In particular it lacks a comprehensive directory of users and services and has suffered from a number of highly-publicised security breaches.

"The scramble among businesses not to be left behind by the Internet revolution has meant that the normally high security standards found *among* large information technology users are not mirrored in their policies towards Internet links," says Mr Brian Neale, Digital Equipment's leading authority on Internet security.

He *said*: "We *estimate* that three-quarters of large firms currently using or intending to commit to the Internet are in this position. The promise of substantial benefits from the commercial application of the Internet has turned many companies into dangerous drivers on the information superhighway. This leaves them exposed to unnecessary risks."

Speaking in December at a UK forum on security and the Internet delegates were told "security practices which are required for an internal network with a few thousand users simply do not guarantee secure links *to* an Internet community of 35m people," by Mr Gerry O'Neill of the National Computing Centre.

To combat the security problem, companies linking their computers to the Internet have built "firewalls" to protect sensitive internal information against intruders.

Business users can also look forward to improved services as new software and encryption technologies continue to transform the global computer network into a robust business tool.

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Big company networks: **Mark Newman** on global operator alliances

Caution over outsourcing

Are large businesses ready to hand over control of their telecommunications networks to public network operators? It is a question that has been consuming the minds of the international telecoms community since the first shots were fired in the global-telephone-operator-alliance wars four years ago.

Outsourcing provided the first step into the international *networks market for* BT in 1991. It was BT's aborted attempt to set up a joint venture with Deutsche Bundespost Telekom and Nil of Japan which triggered off a scramble among European and US telephone companies to set up global partnerships.

But have users really benefited from the growing atten*tion that* they *are supposedly* receiving from telephone companies? And are the operators managing to convince them that telecoms is not a core business, and that they should move into the passenger seat while a specialist telephone *company takes over at the* wheel?

A reasonable answer would probably be no, not yet. A large number of multinational corporations are outsourcing parts of their networks. But very few are outsourcing their entire networks.

Users are enthusiastic about the concept of outsourcing, but cautious to commit themselves. There are a number of reasons why.

There is continued uncertainty over the long-term stability of global alliances and partnerships. The alliance between France Telecom, Deutsche Bundespost Telekom and Sprint, a US telephone company, is still awaiting clearance from both Brussels and Washington. Unless Germany, and particularly France, move quickly to open their domestic markets, it is difficult to see how it will win US approval. Without regulatory clearance, what future can there be for such an alliance?

There are *similar doubts* concerning the alliance between AT&T and Unisource, the group owned *by ITT Telecom* Netherlands, Telia of Sweden, Swiss PTT Telecom and Spain's Telefonica.

This uncertainty makes tele*coms managers nervous* about committing themselves to single-supplier relationships.

Concert, the BT-MCI joint venture company is the most stable of the alliances. It is the only one to have received regulatory approval from both sides of the Atlantic. BT owns a 20 per cent stake in MCI, so there is little prospect of the partnership unravelling.

What looks like a fair price today may be over the odds in two to three years' time

Do companies risk losing *their competitive advantage* by handing over control of their networks? "People are concerned about giving away their competitive edge," said the telecoms manufacturer of a leading pharmaceuticals company.

"They feel that outsourcing companies have not made enough effort to understand their business," he added. Outsourcers were "gradually" making progress in this respect, he added, but progress was slow.

Does outsourcing necessarily offer lower costs? A number of large users have found hidden costs associated with managing an outsource. For example, users have to install private circuits from their different sites to suppliers' global backbone networks.

Outsourcers may only have a handful of access points in a single country.

Users also *face* a dilemma in deciding between short contracts of one to two years, or *longer, five-year contracts. The* introduction of new technology and the advent of competition is driving down the price of international telecommunications services. What looks like a fair price today may be over the odds in two to three years' time.

On the other hand, suppliers are reluctant to offer short contracts. In many cases, they can only justify the cost of building a network to meet the needs of a particular customer on the basis that they will be guaranteed several years of revenues. It can also be expensive for the user to switch outsources after only two to three years.

Are global carriers global? In *most cases, no*. The *three* key alliances – Concert; Unisource and AT&T; and the alliance of France Telecom, Deutsche Telekom and Sprint – all have a bias towards the US and Europe. Can you really expect multinationals with operations in Asia *to* had over control of their networks in the region to a US or European-based venture?

Chase Manhattan, the US bank, is working with a separate supplier in each part of the world because it is not convinced that global alliances can co-operate properly. Its supplier in Asia is Hongkong Telecom, the Cable & Wireless subsidiary, which hubs traffic from its various subsidiaries in the region.

Who takes the lead? If a large user signs up with AT&T-Unisource, which alliance member will be the lead con*tact*? It could be Unisource, AT&T or Uniworld, the joint-venture company.

Can global alliances provide *the full range of services that* large companies need? Until barriers to competition are lifted, probably not.

Global-service providers can only provide public switched telephone services in a handful of countries outside their home markets. The European market will not be liberalised until 1998, although member states are *increasingly* allowing competitors to offer switched public voice services to closed user groups. But such services can only be delivered over the networks of the incumbent operators. Competing carriers lack local infrastructure and have *little control over the* "last mile" to the customer.

Are the services offered by outsourcers reliable? And can they really provide the advanced new services that they promise?

Multinational corporations *have thought long and hard* about the advantages and disadvantages of outsourcing. They are rapidly coming to the conclusion that there are benefits to be had from outsourcing parts of their networks. Four out of the five companies interviewed in a *survey* this year by Communications Week International, the telecoms industry newspaper, said they outsourced at least part of their networks. Another study by the International Telecommunications Users Group indicated *that* outsourcing has gone further than is commonly supposed.

But international outsourcing still has much to do to prove its capabilities, and outsourcers are only beginning to come to terms with how difficult it is to separate telecoms managers from their networks.

Case study: Barclays Network Services

Beware the Tower of Babel

As network director for Barclays Network Services, Mr Keith Bellamy oversees one of the largest private data networks in the country.

The network, running on lines mostly leased from British Telecom has been established for eight years and has had at least two large revisions in *that time. It connects all* Barclays branches and supports all the bank's UK transactions – some 4bn *last year*. And it is growing very fast.

Data traffic carried on the network grew 60 per cent in 1993-94 and Mr Bellamy expects traffic to double this year. The number of terminals has risen from 30,000 about 18 months ago to 80,000 now. Meanwhile the system has at least one new piece of software added to it every week.

Says Mr Bellamy: "We've got one of every network you could come across. The reality is that networking came from the dungeon of the ivory tower. In the late 20th century we made the same mistakes as the Tower of Babel – almost literally when you consider we have over a dozen message systems."

He estimates the system will need £6bn-£7bn spent on it over the next few years. "As technology changes we are getting diminishing returns from investment. We are not a telecoms company even though we have to act like one. And even though I am far from convinced that any external providers can deliver the service we need, we should not be run*ning our network*."

This is a hard-headed statement rooted in business sense, according to Mr Bellamy. "My gut feeling, which is not based on much research as yet, is that the costs are going to be frightening and we will simply not be able to build the network we are going to need."

Bellamy: hard-headed statement rooted in business sense

Barclays is looking for a *partner*. "The *need to* stop managing the network is not about costs, it's about survival of the business," says Mr Bellamy. "We need to break out of the arrogance that we can do everything ourselves. If not, people are going to be sorely disappointed.

"It's a morale issue as *tech*nology becomes obsolete. We have many people employed in the telecoms area of the company and they see their skills going out of date. We would need a full technology infrastructure in the company to *deal with that*."

There are other reasons why Mr Bellamy believes the time is right to hand over the operation. "Three years ago, I listened to someone relate with pride that we had as many as 365 suppliers. On the data network side, we've now got that down to *less than* 80 but we are having to look very hard at the question of managing suppliers. Too often we don't talk a common language with them."

But things are improving. He cites an exercise undertaken *by Hewlett Packard and* BZW where the two joined forces to identify needs. Mr Bellamy says *that other suppliers*, such as International Business Machines, are signing more comprehensive partnership supply agreements.

The emphasis is firmly fixed on partnership. "Five years ago we offered BT our network *and they refused. They* have changed since then and probably could do it now but often talks with large telecoms companies flounder when our precise requirements are fully understood. We are going to have to work fully together with whoever our partners are.

"Eight years ago, no one else could have set up and run the network for us. Now there is *no competitive* advantage in running it all ourselves."

Two full-time engineers solve day-to-day problems and adjust the system to facilitate staff movements

He acknowledges, however, that Barclays is a unique case. There are many smaller com*panies who feel they* do gain advantages from managing their own networks.

At Virgin Atlantic, Mr Simon Keen, systems and network planning manager, is part of a small team which looks after separate voice and data networks.

The voice network connects 22 sites in the UK and about 2,000 users.

Mr Keen believes that the main reason for running the networks on private lines is cost: "It's a straight rationale. Every six months or so we review costs and tariffs. We've seen increasingly negotiable rental charges and some suppliers are now offering free installation."

His colleague, Mr John Dawson, *telecoms consultant*, sees an extra advantage: "In some ways you take on more trauma when you manage your own network but you're not reliant *on other contractors*."

Also part of the team are two full-time engineers whose jobs are to solve day-to-day problems and adjust the system to facilitate staff movements. Mr Dawson says it takes just four to six weeks to add another site to the network, and this includes calculating all the costs involved with using dif*ferent suppliers and lines* as well as installation.

Virgin Atlantic has learned from experience not to rely too much on one supplier, in case services are not delivered on time. To that end, the industry's deregulation is perceived as an *advantage*. Mr Keen's team has more suppliers to choose from and takes full advantage of price competition. A number of deals have been struck with some of the newest entrants, including cable companies.

The scale and complexity of Barclays' operation dictates a different set of needs to those of Virgin Atlantic. But aspiring network managers, currently engaged in constructing their own, smaller, Towers of Babel, have been warned.

Adrian Michaels

Claire Gooding examines Computer Telephony Integration

A two-way long-term relationship

The computer and the telephone can be tied together in various ways – the casual dalliance via modem; the distant, more frustrating encounter with a voice-messaging system that invites the caller to use the touch-tone keypad to divert elsewhere.

Computer Telephony Integration (CTI) is often described as a "true marriage" between computing and telecommunications. It is certainly a two-way long-term relationship, driven by the realisation that the telephone, not the home computer or the television, is the most universal, well-understood and easily available way of delivering information.

Bowden: 'People are much more prepared to do business over the phone'

"Increasingly in the UK and Europe, people are much more prepared, and indeed willing to do business over the telephone rather than writing to their insurance company or queueing to do business in the bank," says Stuart Bowden, business development director at CTI systems specialist Envoy, and chairman of Actius, the Association of Computer Telephone Integration Users and Suppliers.

"Because of this, companies are having to ensure that the service they give is of the highest quality."

Mr Bowden cites British Airways, recently declared winner of the Actius Integrated Call Centre Award, as a typical example. Its centres in Manchester, Belfast and Newcastle use a CTI system called Rapport to service travel agents for flight inquiries and bookings. BA's Automatic Call Distribution (ACD) system comes from Aspect Telecommunications – the UK's leading provider of ACDs according to European researchers Dataquest – and is one of the first to use Calling Line Identification (CLI), introduced by BT in November 1994.

The database is the main difference between CTI and the call-routeing ACD systems

New participants are now entering the CTI arena, and recent initiatives by Novell and Microsoft promise to transform its prospects, according to a report, *Computer Telephone Integration: the business opportunity*, published by consultants Ovum. As well as predicting CTI growth in Europe, from current levels of $539m to $3,310m in 2000, Ovum's report emphasises how sympathetic suppliers have become to their users' business aims.

CTI applications use a range of different technologies, and can be found in every area involving service, including financial institutions, utilities and travel organisations.

In the simplest form, they are used in customer service departments to identify the incoming call (for example, a toll-free number used for a specific service or inquiry) and to pass it to the next available operator with information that will help the operator to respond appropriately. Once the caller has given his or her name and other information (often the postcode), the agent can bring up the relevant information from the computer, a process known as "screen popping".

The database is the main difference between CTI and the older call-routeing ACD (Automatic Call Distribution) systems, in use for 30 or more years by organisations to manage high volumes of incoming calls. The most sophisticated CTI systems not only route the calls, but like BA's Rapport, use Calling Line Identification to "read" the incoming call and deliver both call and the appropriate database record to the screen without human intervention.

Whether the screen record is delivered automatically or is summoned by the operator, it is the preamble to an exchange in which the caller volunteers or requests information from a live operator or "agent", whose job is to interpret and relay verbally what he or she sees on the screen.

Interactive Voice Response cuts out the human, and allows the caller to talk directly to the database. IVR is often PC-based or connected and is most commonly used to deliver or accept information without human intervention, such as placing an order or delivering account-balance information.

Both voice and touch-tone input are supported by voice systems integrators such as US-owned Syntellect, UK company Vocalis, based in Cambridge, and AxSys (owned by the National Bank of Kuwait, NBK, and based in Jersey with a research arm in the Philippines).

Financial institutions are enthusiastic about the cost-efficiency of IVR. TSB's Speedlink offered an IVR system in the 1980s: now its TSB PhoneBank uses CTI and IVR techniques from Envoy Systems of Richmond, mixing the two so that customers get the best of both worlds. NBK does the same with its Watani (national) Phone Bank, similar to Midland's First Direct telephone banking service in the UK, and implemented by its own wholly-owned company AxSys.

NBK was an voice-system innovator with its Arabic-English bilingual IVR system. Launched in 1990 just before Iraq's invasion, the system helped it to emerge from the Gulf War in good shape. Its success spawned AxSys, which now offers core retail banking services all over the world.

In the Philippines, AxSys has set up a telephone banking system shared between 24 local banks. The Megalink central computer is linked to hundreds of ATMs (Automatic Teller Machines). Users call a single number, and are switched through to the appropriate telephone banking service.

The service cuts the cost of delivery. "If you can take the transaction out of the branch and put it on an ATM, you cut the cost of that transaction by 90 per cent," says Richard Stutely, director and executive vice-president of AxSys.

"If again you take it off the ATM and put it onto a telephone banking system, it is generally agreed in the banking industry that you cut the costs again by a further 90 per cent."

Other innovative users include Skandia Bank, a Syntellect customer which has a single high-street branch in Stockholm, but offers instead a free IVR service. Its low costs and fixed charges for ATM and other transactions enable it to offer an interest rate 4 percentage points higher than rival savings accounts, and this has proved an incentive for customers to manage their money interactively on a daily basis.

Another Syntellect customer, South West Electricity, has saved hours of frustration and massive administrative costs by allowing users to enter their own meter readings into an IVR system. "The technology is not new," says Mr Bowden, "but there's also a better understanding of how to build a buiness case for the investment, with quantifiable business benefits. Companies are now looking for more sophisticated ways to use CTI to differentiate themselves in the marketplace."

He believes the UK is far ahead of most of Europe in implementing CTI and more or less on a par with the US in terms of market penetration per head of population.

"Germany is just waking up to the potential, and it's now taking off across Europe in Spain, Germany, and Scandinavia. The very fact that Novell and Microsoft have started to take an interest has also hyped the market."

British Airways recently won the Actius Integrated Call Centre Award — Pictures: Tony Andrews

The Asia Pacific markets also provide about 20 per cent turnover for Octel, which claims to be the largest supplier in the world of voice-messaging systems, with 35 per cent of the voice-processing market, ahead of AT&T, Northen Telecom and Rolm. Octel supplies voice-messaging systems to Microsoft, the world's largest software house, and is working on an integrated voice-messaging and e-mail system to run under Microsoft's Exchange client-server e-mail systems.

Octel took over the strategic alliance that its competitor VMX had already established with Microsoft when it acquired VMX in January 1994. Development work (in Octel's client-server development section, based in London), started in October 1993, with Microsoft engineers.

"We are shortly launching our voice-messaging and e-mail integration system, code-named Geneva," says Henry Hyde-Thomson, worldwide director of technology and strategy for Octel Communications. "Messages can be delivered from PC to PC without going through the voice system. It also means that users can access messages through the telephone or PC, wherever they are, read e-mail, and be notified of faxes and down-load them.

"What we've worked on is the integration of voice-mail with e-mail," says Mr Hyde-Thomson. "The telephone handset is the point of delivery. What's new for us is that we're now integrating with the world's largest software house, Microsoft, on its Exchange client-server e-mail system. Our customers will be able to use the new Geneva technology as an add-on component to existing systems."

References:

Actius – Tel 01372 361000 – also publishes an excellent guide to CTI terminology: contact Roy Bailey.

Ovum: *Computer Telephone Integration: the business opportunity* published January 1995. Tel: 071 255 2670

Case study:

CTI at Domestic and General

Database has created a valuable opportunity

"Sony Help Line, can I help you?" "Philips Quoteline, how can I be of service?"

In fact, the room full of people giving these diverse answers to telephone calls are working for a different company altogether: the insurance company Domestic and General, in Wimbledon, south London, writes Claire Gooding.

D&G is using Computer Telephony Integration – a powerful combination of telephony and a computer database. This allows its operators to service insurance policies for more than three dozen different manufacturers, some to extremely tight service level agreements. The database has enabled D&G to create flexible products, such as the Multi-Appliance Monthly Policy, which covers a range of appliances from different suppliers on one policy

In business since 1912, D&G has carved itself a specialist niche in the insurance and care of domestic appliances, dealing with 40,000 claims monthly for more than 2.6m policy-holders. Its CTI system has enabled its 70 staff to handle the 96,000 calls a month; only a few years ago it needed 12 staff to take 4,000 calls a month.

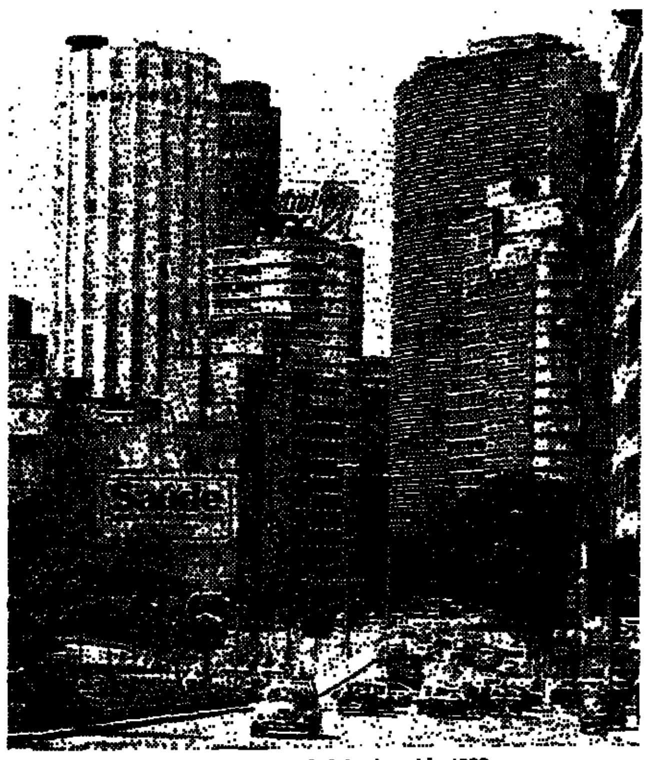
For a customer whose equipment goes wrong, the switchboard at D&G operates a 12-hour service, seven days a week, covering everything from video players to gas central heating.

D&G's Automatic Call Distribution (ACD) system from Rockwell Telecommunications allows staff to identify which helpline the customer has dialled, so that they can respond to policy-holders with the appropriate manufacturer's name.

The CTI element of the system brings up a database record of the customer, so that any operator can instantly see the entire history of previous service calls. The system provides the number of a local repair agent and takes care of all the payments.

The CTI database has created a powerful and valuable opportunity for D&G to use its system for marketing and other purposes. It has recently launched First Domestic – a central heating insurance contract backed up by a 24-hour repair service. Another bright idea was to use the database and CTI techniques for product recall campaigns, where appliances have to be recalled because of specific faults. There are four such campaigns under its belt, (including a high-profile recall of a child's car safety seat), and D&G plans to expand this new business service.

D&G is typical in discovering that CTI is not just a low-cost and efficient way dealing with calls: it is a technology that creates business opportunities. CTI applications tend to be geared towards giving real service, unlike voice-messaging systems, which callers often find frustrating to use.



São Paulo: cellular phones were only introduced in 1993

International perspectives: Brazil

Business users rue the day

By Angus Foster in São Paulo

Ask a business user in Brazil about the country's telecommunications services, and the reply is likely to begin with a well-chosen swear word.

There are two main complaints. Business rates are extremely expensive, thanks to cross-subsidies for residential users. And services are extremely limited because the government and its telecommunications monopoly Telebrás have lacked the finance to invest or the competition to lift performance.

The result is that although Brazil has the world's 11th-largest telecommunications network as measured by terminals, much of the system and services available have hardly been modernised since they were installed in the past two decades.

Underinvestment by Telebrás since the early 1980s, mainly due to Brazil's overall economic crisis, has left the country with only about seven terminals for every 100 inhabitants; one of the lowest figures in Latin America. Call failure rates are up to five times higher than in Europe or the US. The waiting list for a new phone in São Paulo, the most important industrial state, is two years.

Business users face special problems. Most exchanges are still pulse rather than tone, limiting the business uses of telephones and leaving executives distraught when they encounter tone-operated voice-response units (VRUs) overseas. Only a third of exchanges are digitalised and fibre optic cables are only now being laid on long-distance routes, leaving much of the system with poor-quality lines.

Those business services which are available, mainly provided by Embratel, Telebrás' long-distance arm, are limited to basics such as packet switching and dedicated lines. A wide range of services, from advanced data transmission such as frame relay to simple conference calls, are not available. One company uses its US head office to set up conference calls in Brazil. Although far from ideal, the mechanism is also cheaper since calling from Brazil to the US costs $1.80 a minute: more than twice the cost of a US-Brazil connection.

Modernising Brazil's telecommunications will take time, but a start does finally appear to have been made. Congress last month started discussing an amendment to the constitution which would break Telebrás' monopoly and allow private sector competition in telecommunications. The proposal, which needs approval in four separate votes, has so far been well received and could become law later this month.

"It's a good sign and shows we are on the right track. But many of the details are still to be resolved," says Mr Carlos de Paiva Lopes, chairman of equipment supplier Ericsson in Brazil.

Mr Sérgio Motta, communications minister, believes that the state alone does not have the resources to invest the $30bn-$35bn which will be needed to upgrade Brazil's telecommunications until the end of the century. With plans to nearly double the number of installed terminals to 23m by 1999, the private sector will increasingly be needed to invest in areas such as cellular networks.

Even low-orbit satellite communications systems are being studied.

He foresees a three-step restructuring of the sector to increase competition if the amendment is passed. The first, which he believes could take effect almost immediately, would open higher value-added telecommunications services such as cellular networks and data transmission to private competition.

Second, a new regulatory and pricing structure needs to be set up, probably by absorbing those parts of Telebrás and the communications ministry which have regulatory functions. Finally, Telebrás' operating arms in the 27 states would be merged into six to eight larger companies in preparation for competition in basic telephony and eventual sale to the private sector.

With so much to do, and with the legal and regulatory framework still lacking, progress could be slow. "Considering the size and complexity of Brazil and the market, it is better to get the regulations right rather than rush them," says Mr Francisco Loureiro, general manager of the Brazil office of US carrier Sprint. Opening higher value-added services to private competition would be a significant first step, especially because cellular phones serve as a symbol for much of what is wrong with the state monopoly.

One complicating factor which needs to be resolved is the pricing regime

Cellular phones were only introduced in São Paulo in 1993 and there are now between 1m and 2m people on waiting lists for terminals in Brazil. The rush for lines, partly fanned by the waiting list for conventional telephones, has already congested Band A frequencies in São Paulo while Band B remains off-limits to private competition until the constitution is amended.

Mr de Paiva Lopes of Ericsson estimates that the market for cellular telephones could reach 5m terminals, suggesting Brazil could be one of the fastest-growing world markets and extremely attractive to private investment. Value-added services such as data transmission would also be interesting for companies such as Sprint. "What is available in Brazil today is extremely restricted," says Mr Loureiro.

One complicating factor which needs to be resolved before the private sector will invest to start providing these services is the pricing regime. This has been used to subsidise residential users, especially in less developed regions, to the disadvantage of businesses and overseas callers. Telephone charges have also frequently been kept down by governments looking for politically harmless measures against inflation.

The monthly standing charge for a residential user is $0.70 while a one-minute local call costs about $0.02. Embratel's international rates, among the highest in the world's major economies, have been subverted by an increasing number of call-back services on offer from mainly US companies. But structural changes to the pricing regime remain unlikely in the short term because they would add to officially measured inflation, the government's number one enemy since a new currency was launched last year.

Given these problems, and the likely delays working out a new legal structure, business users are likely to be swearing for some time yet before the potential of Brazil's telecommunications market comes into view.

International perspectives: Japan

High rates and slow progress

By Michiyo Nakamoto in Tokyo

Last month, NTT, Japan's domestic telecommunications carrier, encountered the wrath of one of its customers in the form of a petition filed to the country's competition authorities.

Bloomberg, the business news agency, complained to the Fair Trade Commission that NTT's decision to raise the price of using local digital leased phone lines by as much as 83 per cent, while at the same time significantly reducing the price of long-distance lines, constituted an unfair competitive practice.

The company also criticised NTT's decision to raise digital line prices while maintaining the prices of analogue lines, which are used by an NTT subsidiary and a competitor to Bloomberg in providing information and systems to the investment community.

The price of digital phone lines in most parts of the world was cheaper than in Japan, which was the only country where prices were going up rather than down, the company said. How could NTT "claim to be at the forefront of the multimedia industry and at the same time almost double the price of digital phone lines?" Bloomberg asked.

The complaint by Bloomberg sums up the view of many business and individual users of telecommunications services in Japan. To many users, Japanese telecoms services are both too expensive and slow to come to market.

According to Bloomberg, a local 64-kilobyte digital phone line leased from NTT and covering an area within 15km, costs Y42,000 a month, or almost four times a similar line leased from Metropolitan Fiber Systems in New York, which costs $140 – or Y11,900 at current exchange rates of Y85 to the dollar. NTT's plan to increase the price would widen the gap even further.

NTT points out that its decision to raise some local digital line prices and reduce long-distance prices stems from a need to rebalance its rates in order to ensure that its loss-making local operations become profitable. The new local leased line rates better reflect the actual cost of providing the service.

However, the argument serves to raise questions about NTT's cost structure. Bloomberg is not the only company that points out the high cost of NTT's leased lines. Air Touch International, a US information agency, has also complained about NTT's plan to increase prices.

The rates for domestic leased lines covering 100km to 300km and at speeds of 1.5-2 megabytes a second cost twice the international average and eight to 10 times more than the standard rates in the US, according to a report by Morgan Stanley in Tokyo.

Meanwhile, NTT raised its basic rate charge to all phone users in February this year, pushing it to about twice the basic rate charged in the US, the UK and France.

If the cost to NTT of providing its services calls for rates that are much higher than the international average, it is reasonable to assume that the level of NTT's own costs are partly to blame.

NTT and KDD have both been carrying out extensive cost-cutting measures

At the same time, KDD, Japan's leading international telecoms carrier, maintains international call rates that are significantly higher than those seen in other leading economies.

In spite of fierce competition with the new common carriers in the international call market, and an equally intense marketing campaign by the company which draws attention to its lower prices, KDD's rates between Japan and the US are 11 per cent higher than those charged by AT&T while those between Japan and the UK are 54 per cent higher than the rates charged by BT, according a study by the Management and Co-ordination Agency. The study compared the cost of making a three-minute phone call during afternoon hours on weekdays.

While overall Japanese prices are in general much higher than those in other industrialised countries, much of the blame for NTT and KDD's high costs lies in their own lack of efforts to rationalise their operations, the Agency points out in a report published early this month.

NTT and KDD have both been carrying out extensive cost-cutting measures. But the Management and Co-ordination Agency notes that the proportion of personnel costs over total costs is the highest at NTT, at 38 per cent, followed by KDD, at 25 per cent.

"NTT needs to voluntarily formulate a rationalisation programme," the Agency states, while KDD also needs to cut employees further it says.

The problem with telecommunications services in Japan is not limited to high rates. The slow pace at which new services have become available in Japan belies the fact that the country has one of the most deregulated telecommunications markets in the world, apart from the US and the UK.

Virtual private networks were introduced in the US in 1985 but not until last year in Japan. Frame relay services, which provide high-speed data transmission at low cost, have been available in the US since 1991 but were only introduced in 1993 in Japan.

A service which enables users to identify the telephone number of the caller is only now being introduced in Japan although it has been available in the US for five years. Similar delays can be seen in a wide range of services.

The Management and Co-ordination Agency further criticises NTT for being slow to introduce a wide variety of discount services and notes that some regional NTT offices have not been willing to carry out connection work on weekends and national holidays.

Most people agree that the fundamental cause of the high cost structure among Japan's leading telecoms carriers and the delay in introducing new services lies in a lack of competition.

Liberalisation of the telecoms market in 1985, which opened up the domestic market to three new long-distance carriers, resulted in significant competition in the long-distance market. But "there is still not enough competition in the local market," points out Mr Norio Nakamura, senior assistant director of the Industry and Telecommunications Department at Keidanren, the business organisation.

Without effective competition in the local market, NTT has little incentive to cut costs so that it can reduce prices. Neither will it have much reason to speed up modernisation of its local network or to bring new services to the market.

Japanese business leaders are convinced that with the maturing of manufacturing industries, telecommunications will be an important engine of the Japanese economy in the 21st century.

But for the development of multimedia and other new telecoms business which are expected to support future growth, "telecommunications rates have to be low and services have to be widely available," Mr Nakamura says.

As Japanese authorities debate the telecoms regime in a fundamental review to be concluded next March, those considerations will be a decisive factor in setting the future course of the industry.

International perspectives: Italy

New alliances take shape

By Andrew Hill in Milan

It is probably no exaggeration to say that the Italian telecommunications sector has seen more changes in the past year than in the previous decade.

This year alone has seen the formation of a series of new telecoms alliances aimed at the business market. And within the last year, even the state-controlled sector has undergone a metamorphosis – evolving from a complex collection of linked operating companies, some quoted and some wholly owned by the state, into a single entity, Telecom Italia.

The overall structure is still relatively complicated. For example, a majority of Telecom Italia's shares are still owned by Stet, the state-controlled telecoms holding company which could be privatised later this year. But for the business client, who used to have to deal with different operating companies for domestic, European and intercontinental calls, the Telecom Italia merger has greatly simplified matters.

It has also, according to Telecom Italia, made it easier for the state-controlled company to attract business. "Up to a few years ago, ahead of the restructuring, we had difficulty competing," claims Mr Girolamo Di Genova, responsible for business clients at Telecom Italia. The change of name has also distanced the phone company from Sip, its predecessor, the domestic operator, which until recently had an unenviable reputation for inefficiency.

While Telecom Italia has restructured and modernised, rival ventures, including British Telecommunications, Cable & Wireless, AT&T and the Unisource alliance, have begun to make in-roads into its established business.

The latest alliances, aimed initially at the business client, include Infostrada, a joint venture between Olivetti, the computer group; Bell Atlantic, the US telecoms company; and Albacom, which links BT's expertise with the existing communications infrastructure set up by Banca Nazionale del Lavoro (BNL), one of Italy's biggest banks.

Nevertheless, Telecom Italia remains the company to beat in Italy. As an illustration of its importance domestically, both the Italian group and its foreign competitors still assess the potential size of the business market with reference to the state-controlled company's turnover.

Mr Di Genova estimates that in the business sector, some L2,200bn of annual turnover is already deregulated, and perhaps L5,000bn will be open to competition by 1998. But even then Telecom Italia's business services division will have an exclusive hold on about L3,000bn of sales related to infrastructure charges and other protected areas.

Mr Di Genova points to Telecom Italia's home advantage in ISDN (integrated services digital network) and wide-band communications for academic and scientific use.

"No competitor can beat this offer [of services] unless they invest what we've invested in the past few years," he claims. Even rivals point out that however attractive their range of services, they still have to lease the so-called "last mile" of wire, which links the consumer to the private company's communications node, from Telecom Italia.

But Telecom Italia is not resting on its laurels, and competitors are not reducing the pressure on the market leader.

The past year, for example, has seen an acceleration in the number of companies preparing to outsource telecoms services. Telecom Italia points out that whereas it won only 15 large contracts for outsourcing in 1993, it had 35 in 1994 and has already agreed 40 in 1995.

For example, Telecom Italia won an important contract to manage the telecoms needs of Pirelli, the tyre and cable manufacturer, which, under its managing director Mr Marco Tronchetti Provera, has been placing increasing emphasis on internal communications, including the use of video-conferencing and other advanced techniques.

Olivetti recently decided to reverse its decision to sell a data processing subsidiary because of the potential for outsourcing of data processing and telecoms services.

Foreign companies have tended to concentrate until recently on winning international business. For example, by bidding aggressively against Telecom Italia and other international groups, Cable & Wireless, the British telecoms group, won a contract in March to handle the international telecoms needs of Snam, the gas company which is part of Eni, the state-owned energy and chemicals group.

On the domestic market, competitors have been hindered partly by Italy's sluggishness to implement European Union directives on the liberalisation of specialised telecoms services, and Telecom Italia's desire to prevent a free-for-all in its own market.

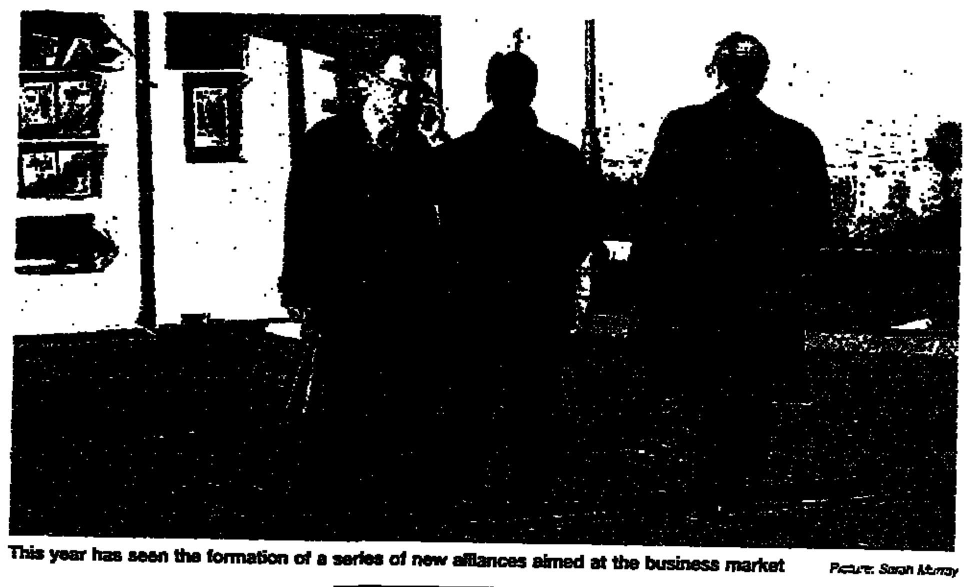
In January, however, Telecom Italia was rapped over the knuckles by Italy's anti-trust authority for failing to allow Telsystem, a small Milan-based company, to lease lines from the national operator to offer business services, such as so-called "virtual" telecoms networks linking a company's offices. Mention of the Telsystem case still irritates Telecom Italia executives, who accuse the small company of simply taking advantage of the state-controlled company's rigid tariffs.

But larger competitors have also taken advantage of the ruling to step up their marketing of services within Italy. Mr Michael Yates, marketing manager for BT's Italian operation says: "We can now offer all the data services, nationally and, using the Concert alliance with MCI [the US telecoms group], internationally."

BT's agreement with BNL also gives the company the chance to use a domestic network with more than 100 nodes in Italy, compared with the 18 to which BT had access before. "We had two possibilities if we wanted to offer domestic services: either to install other nodes throughout the country or buy the network from someone else," says Mr Yates.

Mr Stefano Borghi, the new chairman of Cable & Wireless Italia, believes that in the medium term there is something for all participants in the Italian telecoms market. Cable & Wireless already claims some 3,000 customers in Italy, including subscribers to the company's popular "Surefax" managed facsimile service and other added-value services.

Cable & Wireless's hopes, like those of all Telecom Italia's competitors, are pinned on the possible liberalisation of infrastructure, and the chance to exploit new opportunities in the domestic market. In the meantime, Mr Borghi believes Telecom Italia could learn from BT's experience in Britain. "They should realise that domestic competition allows the company to become an international player," he says.



This year has seen the formation of a series of new alliances aimed at the business market *Picture: Sarah Murray*

International perspectives: Germany

Monopoly comes under fire

By Michael Lindemann in Bonn

Criticising the quality of telecommunications services in Germany has become a favourite pastime in recent years – especially as more and more business users have realised that they are not being offered the prices and the quality that is available in more liberalised markets such as the UK, Sweden or the US.

In those and other markets, several national telecoms operators are already competing with each other, a process which has improved the quality and quantity of services available to corporate users.

However, business users in Germany, the world's third-largest economy, are still beholden to monopoly operator Deutsche Telekom which, although it has made notable progress in recent years ahead of a partial privatisation in 1996, still provides services which, users say, are much too expensive and not tailor-made for business uses.

Business users have a choice between 64 kilobit telecoms lines or 2 megabit lines

"Companies are complaining that prices are far too high compared to the international competition," says Mr Berthold Gellner, a telecoms specialist at the Bundesverband der Deutschen Industrie, the umbrella organisation for 80,000 German companies.

Apart from prices which remain far higher than in the US or the UK, Deutsche Telekom is not providing the variety of services available in other competitive telecoms markets, says Mr Gerd Eickers, chairman of the Verband der Telekommunikationsnetz- und Mehrwertdienstanbieter (VTM), a group which represents private providers of value-added telecoms services.

Business users in Germany have a choice between 64 kilobit telecoms lines or 2 megabit lines. There are no other capacities in between these two and 2 megabit continues to be the ceiling – a situation which remains very unsatisfactory when compared with the US and other countries where bigger capacity lines are available, says Mr Eickers.

Furthermore, so-called intelligent services such as virtual private networks – where companies can phone around the country as if they were on their internal corporate network – continue to remain unavailable because Deutsche Telekom has not made the necessary investment in digital exchanges and other facilities. The same goes for other value-added services such as e-mail and Electronic Data Interchange (EDI), Mr Eickers says.

One particular example has highlighted the inadequacy of Deutsche Telekom's services for business users. The Deutsches Forschungsnetz (DFN), an association of about 350 universities and industrial research institutes has for years had to make do with 2 megabit lines to link up laboratories throughout the country.

The DFN needs lines with a capacity of 34 megabit or more to move data packages round the country, but Deutsche Telekom has so far offered such services only at prices which the research institutes cannot afford, a DFN spokeswoman said.

After years of waiting, DFN hopes to begin modernising its network this autumn. It is in talks with German telecoms operators which can provide the bigger-capacity lines and hopes to receive a licence for the project from the ministry for post and telecommunications (BMPT) this summer.

Rather than focus on tailor-made solutions, a criticism often voiced by business users, Deutsche Telekom has focused its resources on expanding its Integrated Services Digital Network (ISDN), the 64 kilobit lines which are well suited to the Internet and other multimedia services and where Germany has now created one of the world's largest networks.

Mr Eickers accepts that ISDN is a valuable asset but that it is too technical and largely meaningless to most business and private users who would rather have value-added services such as EID.

When confronted with complaints from business users, the BMPT argues that Germany is by no means the slowest among European countries to liberalise its telecoms market. The monopoly should be maintained until 1998, the BMPT says, so that Deutsche Telekom can prepare for privatisation and, among other things, generate the revenues needed to pay for the DM50bn investment programme undertaken in former East Germany since 1990.

But while liberalisation may be moving too slowly for many business users, progress is nonetheless being made.

For months, private operators such as the utilities RWE, Veba and Viag – all of whom want to provide corporate network services before 1998 – had been complaining that the government and Deutsche Telekom were flouting European Union guidelines by insisting that such services could only be provided to a so-called closed user group – third parties with whom the operator has a long-standing business relationship.

At the beginning of May, the BMPT acknowledged that its definition was too restrictive and fell in line with the more relaxed criteria used by Brussels.

Changes in the way telecoms services are provided in Germany have also been stymied by the fact that lobbies representing business users' interests are relatively underdeveloped and are still bound to Deutsche Telekom.

Like others, AFT complains that the cost of calls in Germany is still too high

The Anwenderforum Telekommunikation (AFT) is the only group of its kind and represents about 250 companies. It was started in October 1992.

Like many other groups and business executives, AFT complains that the cost of calls in Germany is still too high in comparison with the international competition – a fact that feeds through directly into the cost of corporate networks because private companies wanting to offer such services still have to rent the lines from Deutsche Telekom until 1998.

However, Mr Dietmar Stosiek, an AFT spokesman, says that a variety of AFT demands – including a help desk for international lines and improved standard fixed lines – have already been implemented by Deutsche Telekom.

AFT's first big study into corporate networks was not funded by Deutsche Telekom but the company does finance an unspecified variety of AFT "association costs" which, as one observer pointed out, raises questions about the organisation's independence.

Meanwhile, well over two years before competition begins in earnest in Germany, in 1998, many of Germany's biggest companies are looking very closely at products on offer from international competitors such as AT&T, the US telecoms operator, or BT.

That, says one telecoms analyst, is ample evidence of the fact that many Deutsche Telekom clients remain dissatisfied with the quality and cost of services on offer.

TELECOMMUNICATIONS IN BUSINESS 8

US developments: deregulation

Change seems inevitable

By Tony Jackson in New York

For US business users of telecoms, one of the most far-reaching items on the agenda is deregulation. With separate bills for telecoms reform under consideration by Congress and the Senate, change seems inevitable. The question is how far business users will benefit: and that depends above all on the legislative detail.

The basic premise is that the present regulatory framework in the US has created a network of local and functional monopolies. In turn, these give rise to monopoly rents. It follows that if the system is made genuinely competitive, the customer stands to gain on price.

By the same token, producers stand to lose. As a result, says an executive from one big US corporate customer, the initial motive for deregulation risks being distorted. "The whole thing that drove this", he says, "was the need to create an infrastructure. But the practical politics are being totally driven by companies trying to re-position themselves in a radically changing world."

A clear example of this is the debate over allowing local and long-distance telephone companies to compete in each other's markets. Since the break-up of AT&T a decade ago, this has been forbidden on competition grounds. In principle, both the House and Senate bills are now working to change this. The crucial question is one of timing.

Mr Tim Regan, of the US multinational Corning (a big telecoms user, but also a leading supplier of fibre optics to the industry) says that if long-distance companies are allowed to provide local telephone services but not vice versa, the results could be devastating.

What then happens, he says, is that the local company – one of the hugely powerful Baby Bells, such as Nynex or US West – sets itself up as a least-cost provider of routeing schemes for long-distance calls. "Then the company tells me, as a customer, that it will collect services from all the 25 or so long-distance providers for the community, and will provide the cheapest solution. Then AT&T and the other long-distance companies will become wholesale providers of a commodity, and the local company becomes the monopoly retailer."

The result, he makes clear, would be very bad news for the customer. "If [deregulation] is done right, the customer squeezes all the rents out of the system. If it's done poorly, and local phone companies get into these other areas before the monopoly is broken, it's a disaster."

The point is reinforced by Mr Michael Brown, vice-president for federal legislation at AT&T. It all comes down, he says, to doing things in the proper sequence. "There are three ideas here: monopoly, competition and deregulation. The first step has to be to end the existing monopolies. If you move to deregulation before tackling the monopolies, you may not get competition." So far, there seems general agreement that both the House and Senate bills are aware of this threat, and that the result should be genuine competition between local and long-distance suppliers in each other's markets. At the same time, there will be relaxation of the rules which keep telephone companies out of the cable TV market, and vice versa.

For business customers, the challenge is different: to move from a world of monopolies to developing the ability to choose between suppliers

The promised explosion of choice will then confront the industry and its customers with a central question: whether to take services, from voice and video to computer data and components, from a one-stop shop provider or from niche providers of specialised services.

It seems clear that all the big phone companies, at least, will push the one-stop option as hard as they can. Mr Michael McDonough, president of business markets at the local telecoms giant GTE, says: "We and the other larger suppliers will compete on a package basis - voice, video and wireless - against the smaller niche suppliers. There will be winners and losers, depending on which particular areas of the customer base they choose to compete in."

As for the industry giants, he suggests, the key to success in package solutions will lie in technical expertise rather than price. "Many of us will have similar strategies, and it comes down to execution – especially speed – with cheapness less of an issue."

For business customers, the challenge is different: to move from a world of monopolies to developing the ability to choose between suppliers. As Mr McDonough points out, for many US business customers the arrival of specialist competing phone companies such as MFS Communications means the local monopoly no longer exists. All the same, he says, "the challenge for business customers is how to manage across multiple suppliers."

From the customer's viewpoint, there is one other central issue to be determined in the deregulation debate. At present, telephone and cable TV companies are largely barred from each other's markets. The convergence of technology means they are starting to invest heavily in duplicating each other's functions.

In a unregulated market, this duplicated effort would be promptly stopped by the process of merger between telephone and cable companies. The Senate and House bills differ on how far this should be allowed: the Senate would permit it on a local level, Congress only within communities of under 35,000 population – less than 15 per cent of the US population.

Mr Brown of AT&T sees real competition between cable and phone companies starting to appear within the next year. "You'll see the cable companies offering the first real true interactive networks, including voice, and the phone companies offering video". But he is not unduly worried about the threat from merger. "Both the Justice Department and the FCC (Federal Communications Commission) would look at any merger under existing laws, and they're not being over-ridden by either of the bills."

Nevertheless, the threat remains that monopoly will re-emerge under another guise. As Mr Regan of Corning puts it, "this gets to the core of what the deregulation bills are about. Are we building an infrastructure, or are we reshuffling the same deck of cards?"

Cellular telephones

Uncertainty over standards

By Louise Kehoe in San Francisco

The US cellular telephone industry reached an historic milestone earlier this year when it tallied a total of 25m customers. One out of every 10 Americans now has a cellular phone. The industry's customer base has more than doubled in the past two years, with new customers signing up at a rate of 28,000 a day.

The industry posted record gains in revenues, capital investment, new jobs, and cell sites last year, according to the Cellular Telecommunications Industry Association (CTIA), a trade group representing cellular telephone companies.

US cellular revenues for 1994 exceeded $14bn, an increase of 30 per cent over $10.9bn in 1993. While revenues rose sharply, cellular service prices continued to decline. The average monthly customer bill dropped to $56.21, compared to the 1993 average of $61.48 a month.

The industry invested a record $2.8bn in new equipment and infrastructure during the last six months of 1994. In 1994, the number of new cell sites, the basic building blocks of a cellular system, increased by more than 5,500 – a 40 per cent increase – to a total of 17,920. As the industry data demonstrate, the cellular telephone has moved beyond the business market to become a mass market consumer product in the US. It remains, nonetheless, a critical business tool. What is more, enhancements in wireless communications ranging from cellular data communications to personal communications services promise continued expansion of business applications.

Several US cellular telephone service companies have augmented basic telephony with integrated wireless services such as data access, faxing and paging. Cellular phone companies also offer services such as voice mail, information services, and even roadside assistance for motorists.

The US cellular industry faces new challenges, however, with the development of digital cellular technologies and the anticipated launch of new "personal communications services" (PCS) also known in the UK as personal communications networks. The high penetration of analog cellular services in the US has created a market barrier to the introduction of digital cellular and PCS. By the time PCS is launched in the US , in about a year's time, cellular penetration will exceed 13 per cent of the population, according to Herschel Shosteck Associates, a market research firm.

In contrast, when PCS networks were introduced in the UK and Germany, cellular penetration was less than 3.5 per cent of population.

The prospects for digital cellular and PCS in the US market are further complicated by the lack of agreed standards for either. The options include several variants of Time Division Multiple Access (TDMA), Code Division Multiple Access (CDMA) and Global-System Mobile (GSM) a European standard based on TDMA.

Ameritech announced last year that it would adopt CDMA technology for new services in Chicago and Detroit

Over the next five years the North American wireless telephone market will become fragmented , with a variety of access technologies, predicts Link Resources, a US market research firm.

Although TDMA and GSM are proven technologies with a growing subscriber base in the US as well as abroad, the majority of US manufacturers agree that CDMA will become a significant alternative digital technology, market analysts say.

Ameritech, a regional telephone company, announced late last year, for example, that it will adopt CDMA technology for new services in Chicago and Detroit.

"We have selected CDMA technology because we feel it will offer our cellular telephone customers superior call quality; security; fewer dropped calls; improved system access; and a host of new features and data applications," said John Rooney, president of Ameritech cellular services.

CDMA technology provides a superior solution for cellular communications, cordless home and office phones, and personal communications services, its proponents claim. The technology also could provide a solution to the overcrowding that is evident in some of the most heavily-used analog cellular systems. This overcrowding results in blocked calls, dropped calls, and "cross-talk."

The biggest drawback of CDMA, however, is that it is incompatible with existing digital cellular and PCS systems in Europe and elsewhere. Also, several US cellular companies have already committed to TDMA or GSM.

In a recent analysis of the prospects for each of the competing technologies, Merrill Lynch analysts concluded that no single standard for digital wireless communications will emerge in the US. In the PCS arena, Sprint appears to be committed to using GSM technology, according to the Wall Street analysts. However, AirTouch, USWest, Bell Atlantic and Nynex, the largest US regional operators, are championing CDMA technology in cellular networks.

AT&T, the largest US cellular telephone service provider since its acquisition of McCaw Cellular, is already using TDMA technology. More than 250,000 subscribers were using the digital service at the beginning of this year and the number is expected to grow to about 1m by the end of the year.

However, when it comes to PCS, "AT&T will support whichever PCS standards our customers demand, but we believe strongly that North American standards – like CDMA or TDMA – are better suited to the North American market than are European standards, because of their overall compatibility with the North American network – particularly in terms of interconnection to existing cellular networks and the rest of the Public Switched Telephone Network," said Jim Brewington, president of AT&T Network Wireless Systems, which supplies equipment to telecommunications companies.

For wireless communications users – whether they be businesses or consumers – the standards debate creates uncertainty that is likely to bolster the status quo and delay the adoption of new technologies. The US analog cellular market is thus expected to continue its rapid growth for at least another 12 months.

Wireless communications

Firing imaginations

By Geof Wheelwright

Wireless communication appears to be all the rage in the US at the moment – with paging companies, computer manufacturers and service providers all rushing to cash in on it.

One recent recipient of a great deal of industry attention in this area is telecommunications giant AT&T – whose PersonaLink wireless data communications service seems to be firing the imaginations of hardware developers who have developed wireless hand-held computers and "communicators" to use with the service.

As part of this awareness, it seems both business customers and consumers are becoming familiar with terms such as "intelligent messaging" and "intelligent assistants." The latter are essentially mobile software programs that go to places in the electronic community and carry out their owners' instructions.

AT&T's catalogue of PersonaLink Services bills itself as "the first commercial service that enables its subscribers to employ intelligent messaging with the help of intelligent assistants".

For example, subscribers can send electronic mail to one another using only their names to address the messages. They can automatically forward messages from particular people to someone else's computer or paging device, or have copies of messages about specific subjects made and sent to colleagues.

In the future, intelligent assistants will be able to perform even more complex tasks, such as notifying subscribers of changes in stock prices, searching publications and data bases for information of particular interest to the subscriber, or making travel reservations.

AT&T says that today's messaging networks are essentially message-switching operations "with limited flexibility for tailoring applications to particular needs". In contrast, AT&T says its PersonaLink Services is operated as a message processing network. Users can send "smart messages", incorporating intelligent assistant software that interacts with intelligence in the network to perform operations that otherwise would require timely human intervention and constant attention.

PersonaLink is used by both of the most highly-publicised hardware releases of the past year – the Sony Magic Link and the Motorola Envoy – and was at the heart of Panasonics announcement of its personal communicator at the Consumer Electronics Show (CES) in January.

According to Bill Weber, the PersonalLink Services wireless program manager at AT&T in the US. Americans may soon be joined by Canadians and Europeans as users of this service.

The company is discussing partnerships with several international telecoms providers to arrange this. It will not happen overnight, however.

"Our expertise and focus is in the US (right now)," says Mr Weber. "Using PersonaLink, wireline and wireless capabilities are fully integrated. Wireline and wireline communications are normally separate, but with our service and the user interfaces being deployed on these devices (such as the Magic Link and the Envoy), they are seamlessly integrated."

AT&T gave it the name PersonaLink Services because it is supposed to be able to accommodate each subscriber's personal preferences for handling day-to-day tasks with the help of the "intelligent assistants".

Intelligent assistants can be thought of as extensions of the people who dispatch them, and are brought to life by Telescript technology – a new communications language developed by General Magic. AT&T PersonaLink Services was the world's first communications service to incorporate Telescript technology.

Every PersonaLink Services subscriber is assigned a mailbox

Mr Weber explains that Telescript is to the telecoms world what the PostScript computer printer language was to the printer world. "These intelligent agents and assistants handle messages and interact with AT&T network," he explains.

"Telescript agents and intelligent assistants operate not only at the device level – they are not just sending ASCII [American Standard Code for Information Interchange]; messages, but also these agents through interpretive computer networks. There are agents on the sender's mailbox and agents on the recipient's destination device.

In the US, people can subscribe to AT&T PersonaLink Services when they buy a personal communicator or other device that incorporates Telescript language capabilities. The first commercially available product with PersonaLink Services and Telescript built in was the Sony Magic Link personal intelligent communicator – although the Motorola Envoy had been announced before the Sony device.

Through an electronic registration process, every PersonaLink Services subscriber is assigned a mailbox, or address in the "electronic community". Subscribers get personalised messaging through a messaging service called PersonaLink Mail, which was designed by AT&T specifically for PersonaLink Services; a free news service called AT&T PersonaLink Daily News Summary (with information created and supplied by Lexis-Nexis Services); optional automatic delivery of software enhancements to add new features and upgrades; the ability to personalise messages with animations, brief voice recordings, music, electronic ink, and decorative stamps; and a range of connections both wireline and wireless.

Through a gateway to AT&T EasyLink Services, AT&T boasts that subscribers should be able to reach and be reached by people on public and private messaging services, including the Internet, X.400-based mail services, and local area network-based mail systems.

The company also pledges that subscribers can send messages to virtually any fax machine in the world.

Using PersonaLink Mail intelligent assistants, subscribers have access to what AT&T calls powerful "filtering" capabilities, which means they can screen messages based on who is sending the message or what it is about. These filtering abilities work for messages sent from other PersonaLink Services subscribers as well as messages from people using other services, such as the Internet.

While all of these plans may seem rather "pie in the sky" to users outside the US, the fact is that they will probably catch lots of people unaware. With a growing mood of deregulation in almost all world markets – and a desire to see global operation of wireless services being driven by telecom giants such as AT&T – it would not be surprising to see services such as AT&T PersonaLink in a number of markets outside the US within the next couple of years.

General Magic will be doing its best to make this happen by arranging further deals to put its Magic Cap operating system on other hand-held computers over the next year. The company is developing a desktop version of Magic Cap so that desktop computer users can also have access to wireless messaging and exchange messages more easily with Magic Cap-based communicators.

This is a very powerful idea. One strong indication of just how powerful the idea is came from Wall Street in mid-February when General Magic shares almost doubled on their first day of stock market trading.

The value of the stock rose 90 per cent in a single day.

General Magic promised to use the $77m it garnered from the single-day sale of 5.5m shares as working capital.

So it looks as if the future is "up in the air" for users of hand-held computers – it is now only a question of when that future hits markets outside the US.

Work on a 1,400km digital transmission link from Wuhan to Chongqing in China, supplied by GPT

A GPT telepoint system in use in Ningbo. China plans to spend Yn450bn by the end of the century

International perspectives: China

A breach in the wall

By Tony Walker in Beijing

China United Telecommunications, a fledgling telecommunications company, is due to put China's first digital cellular network into operation in July.

This will be an event of no small importance in the evolution of the world's fastest-growing and, potentially, biggest telecommunications market.

China Unicom's venture will mark a significant breach in the wall of the state telecommunications monopoly.

China Unicom was launched last year as the operator of a second telecommunications network *in tandem* with the all-powerful Ministry of Posts and Telecommunications. While representatives of the new company, which is backed by the ministries of electronics, electric power and railways, said their aim was not to compete directly with the MPT, competition is inevitable.

Unicom's first venture is in Shanghai, China's fast-evolving business centre. The new digital cellular phones will provide higher quality and more secure lines than the analog system presently in use now. This is a pattern Unicom plans to repeat throughout China.

Western telecommunications companies, including both operators and manufacturers of equipment, have welcomed Unicom's birth as an important sign that China at last is freeing up its heavily-regulated telecommunications sector; but Beijing has made it clear that for the time being foreign companies will not be allowed to become directly involved in network operations.

This has not prevented foreign operators seeking opportunities as consultants and partners to both the MPT and Unicom. Telstra of Australia last month became the latest foreign telecommunications company to open an office in Beijing, and representatives made no secret of the fact that their ultimate aim is a share in China's network operations.

Other foreign companies eyeing China's network operations covetously include: Ameritech which is an expert in systems management; AT&T, voice data; British Telecom, electronic mail services; Hong Kong Telecom, transmission facilities; IBM, assistance for development of China's new "superhighway"; Hughes Network Systems, satellite earth stations; and Nynex, network assistance for China Unicom.

International interest in China's telecommunications operations is hardly surprising, given requirements. The MPT spent some Yn54bn ($6.6bn) last year on extending the network. China plans to outlay Yn450bn, including $7bn in loans from abroad, by the end of the century with the aim of achieving a national telephone penetration rate of 8-10 per cent (phone lines per 100 people). This will mean increasing present numbers of phone lines from about 40m to 110m by the year 2000 requiring the installation of some 12m lines every year - equivalent to Britain's telephone network each three years.

> **Some 17 of 22 fibre-optic lines have been completed, leaving a handful of important projects for this year**

According to MPT figures, released last month, 13 per cent of China's urban families had telephones at the end of 1994, and phone lines per hundred of the population had reached 3.2 compared with 0.6 in 1985.

Numbers of phone lines installed in 1994 surpassed 10m for the first time, reaching 10.83m, of which 70 per cent were private. This year, China plans to lift the penetration rate to 4.2 per cent, and a new digital data network will be installed to link some 500 cities and townships.

China is also pressing ahead with ambitious plans to extend a fibre-optic cable network specified in the eighth five-year plan (1990-91 to 1995-96). Some 17 of 22 fibre-optic lines have been completed, leaving a handful of important projects for this year. These include Beijing-Xian; Beijing-Guangzhou; Beijing-Lanzhou; and Hangzhou-Chengdu.

China's huge requirement for a vast range of telecommunications equipment has proved irresistible for foreign companies which are now involved in a vast array of activities – from manufacturing fibre optic cable to producing cellular phones and paging systems.

China's cellular phone market is set to explode. According to a recent survey, numbers of cellular phones will increase by 500 per cent over next two years, bringing mainland users to 3m. But pirating problems are serious. Theft of of phone numbers is a common occurrence.

Motorola leads the pack in terms of investment in the production of telecoms equipment, having committed some $300m by the end of 1994. The US company has indicated it will have invested $2bn by the year 2000 in plants manufacturing pagers, cellular phones and semi-conductors.

AT&T, Ericsson, Northern Telecom, Alcatel, Siemens, NEC, GPT, Fujitsu and Nokia, to name some of the more prominent players, are all involved. AT&T, after a slow start, is investing $150m in eight joint ventures producing such items as optic-fibre cables and switching systems.

Apart from extending its phone system as a matter of urgency, China has also embarked on the development of its own superhighway to provide facilities for high-speed data transmission. China has dubbed this scheme the "Three Goldens" project – Golden Bridge, Golden Customs and Golden Card.

Among immediate priorities is the upgrading of China's customs system, and also provision of links for data, voice and video servicing an ever-widening circle of users in the private and public sectors. China is also establishing facilities for an explosion in credit card use.

Jitong Communications, the corporate arm of the Ministry of Electronics Industries, like China Unicom with the telephone network, is providing an alternative to the state monopoly in the development and delivery of data services.

FAXES

New products on the way

With the advent of computer communications, one might have been tempted to ring the death knell for fax. But far from dying, fax is continuing to grow, although it is adapting to demands from customers for computer links.

It is estimated that there are now between 50m and 100m fax machines in use worldwide and the number is still growing. In the UK alone, there are 1.5m installed machines, and 420,000 new machines were sold in 1994. The indications are that 1995 sales will exceed that number.

However, fax manufacturers are aware of the need to keep up with the demand for computer communications. The latest developments focus on direct connections between fax machines and computers, so that people can send faxes directly from their computer or network. The new products are being designed as an "all-in-one" office machine that can be used as a scanner to scan into the PC, as a printer and as a copier, fax or PC-fax. They are sold with software which lets an individual user control the machine directly from a PC.

Some manufacturers such as NEC, Ricoh, Konica and Oki already have an all-in-one machine in their range. But these machines are in the higher price bracket and are intended for use on computer networks only. The Nefax 545 costs £2,495, for example.

Lower-priced all-in-one machines will come with the ratification of a new international standard for a PC to fax machine interface. The international standards body, the ITU (International Telecommunications Union), has been drawing up a standard interface in collaboration with the fax industry. In March, the Telecommunications Terminals study group, which is responsible for producing the new standard, issued a consultation paper. It is expected that the standard will obtain full approval later this year.

Once the standard is in place, manufacturers will have the opportunity to source parts for the interface at lower cost. And fax software companies will be able to design software that will work on any machine. In most cases, this software is likely to be designed by specialist companies, which work closely with the manufacturers. Oki and NEC are both working with UK-based Wordcraft International, which produces a packaged called LaserFax.

Efforts were in place by the manufacturers themselves to design a global standard software package in tandem with software giant Microsoft. Known as Microsoft at Work, this software had been intended to provide a Windows-style interface for fax machines and other office equipment. However, according to Mr Lester Davis, chairman of the British Facsimile Consultative Committee, this project has stalled.

"To make a fax machine work like that, you have to put a Windows processor inside. But Windows is exhaustive in its data processing requirements. When trying to put it in a fax machine, you have to go from a simple "few bits" processor, to something like a 386," he explained. Apart from a few demonstration machines, no fax machines running Microsoft at Work have so far been made, according to Mr Davis.

One of the benefits that users could hope for from the new software is that it will be better designed than many existing packages. PC fax software has to date been designed by small, technically-orientated software companies, with low market awareness. Typically, the packages are either not very robust or they introduce technical issues that the users will have problems in dealing with.

Further fax developments focus on security and speed. The ITU study group is also considering a secure transmission standard whereby an encryption system could be included inside fax machines. The encryption would ensure that the fax could not be read by anyone other than the intended recipient.

Today, if anyone wants to send secure faxes, they have to buy a dedicated scrambler box, at a cost of between £1,000 and £1,800. The box can only communicate across a direct link to another box. That would take the total cost to set up the secure transmission to more than £2,000.

According to Mr Davis, once the standard is in place, manufacturers will be able to include secure transmission capability in a machine without putting up the price too much: "We anticipate that it could be used by businesses at a fractional increase on a £500 machine, at a point that they would not squirm at paying," said Mr Davis.

Fax machines incorporating the secure transmission standard are not expected before 1997. However, some manufacturers such as Oki do have fax machines with a non-standard encryption under development. These machines could cost £2,000 or more and are intended for specialist markets, such as defence, where secure transmission is important.

Higher-speed fax machines, however, will be available much sooner. The latest ones can operate at 28.8Kilobits a second, for which an international standard has recently been approved. Higher-speed machines reduce the cost of transmission because the documents get through more quickly, and businesses such as law firms, banks and insurance companies which make very high volume transmissions will notice the difference.

However, another new range of very high speed machines which operate on ISDN lines at 64Kilobits a second, have been put on hold by the manufacturers. According to Mr Davis, it was expected that these would have been shown at the Cebit Hannover Fair in March, but none were. He blames a lack of understanding among customers of the benefit of higher speeds, which means that the manufacturers have a more difficult job in selling them.

Monica Horten

Mobile telephony: **Joia Shillingford** monitors developments

Next big market will be in data

The business market for mobile phones is maturing, yet mobiles are not as ubiquitous as they seem. Cellnet's figures show that although 81 per cent of large companies in the UK have mobiles, only 18 per cent of staff use them. And mobile phones are not fully established in small professional businesses, such as firms of architects.

The next step is for mobiles to progress from being just a mobile version of fixed phones, into a properly converged product. This is already starting to happen.

Cellnet's Personal Assistant (PA) makes use of both fixed and wireless networks. Each user is given a single phone number and the PA software knows when they are most likely to be in the office or car, or at home.

When a caller rings the number, PA tries the most obvious phone (eg the office) and, if there is no reply, automatically tries the next most likely location (eg the mobile phone). PA has not been released yet; a trial of 500 users is under way.

Mercury One-2-One has a product which directs some of the calls that would usually go to a small company switchboard to mobiles. What happens is that when a caller phones the switchboard number, the call is automatically routed to one of a group of mobile phones.

The next time it rings, it goes to another of the mobiles and so on. This means that a small firm of architects, for example, whose staff are out a lot of the time, does not have to pay for a dedicated receptionist.

A number of follow-me services have also been introduced by fixed network operators such as Mercury and BT. These can switch calls from a fixed to a mobile number.

But the idea of universal personal telephony – where you are given a single number when you are born and retain it until you die – is still some way off, according to Bryan Van Dussen, a senior analyst at the Yankee Group Europe.

The obstacles are as much commercial as technological. "Although the idea appeals to mobile operators, it could make mobiles appear to be little more than an extension of the fixed network," says Mr Van Dussen. "And then people might expect to pay less."

In the short term, what interests mobile operators is how to get people to spend more on mobile services. One way is to offer mobile data.

"Mobile data will be the next big mobile market," says Hubert Tardieu, head of telecoms at software and services company Sema. "It is likely to be even bigger than the market for mobile voice." This is partly because there are a large number of potential applications for the technology.

Two types of mobile data can be transmitted over the current generation of digital mobile networks such as GSM (Global System for Mobile) and variants such as PCN (Personal Communications Network). One is the Short Message Service (SMS), which is rather like alphanumeric paging and allows messages of up to 160 characters to be transmitted. This forms part of the GSM standard.

Data can also be transmitted from a portable PC as, say, electronic mail or faxes, via GSM. All the user needs is an interface card slotted into the PC. This has a cable which links the card to a suitable GSM phone (such as Nokia's) and allows data to be transmitted via the wireless network into the fixed one.

Digital networks are better for data transmission than cellular networks because speeds are higher and data is less likely to be corrupted.

Mobile operators providing data services include Vodafone (in the UK), Deutsche Telekom and Mannesmann (in Germany) and Telia in Sweden. SMS has been a big success in South Africa where it is used for fleet management (helping to locate and issue new instructions to truck drivers), but the technology is most commonly used to notify users of new voice messages. Hutchison's Orange PCN network plans to introduce mobile data at the end of June.

In addition to mobile data, network operators are trying to generate extra revenue and gain competitive advantage by offering enhanced services. According to Dataquest, a quarter of cellular phone subscribers used voice mail in Europe last year.

Voice messages, left by callers when the mobile they are calling is switched off, are usually free but generate extra calls. Kim Fennell, managing director of Octel Communications Europe, which provides the voice messaging system used by Mercury's One-2-One network, says that using voice mail adds at least 20 per cent to a network operators' revenues.

In addition, voice mail can be used to provide information services. Visitors to South Africa for the Rugby World Cup can dial voice mail numbers on the Vodacom mobile network to find out about hotels and restaurants.

Swedish telecoms operator Telia plans to offer a hybrid GSM-DECT service. This would allow users to make calls from an Ericsson handset inside their offices using DECT (the Digital European Cordless Telecommunications Standard), but switch to GSM when they leave the building. If the tests, using dual-mode handsets, are successful, it will launch a service next year.

As the number of services available over mobile phones expands, a new type of pan-European service provider is emerging. For example, Unisource Mobile (a consortium of Swiss, Swedish and Dutch telecoms operators, which has links with AT&T) plans to provide a one-stop service for large companies using mobile voice, data, paging in several European countries.

It will provide consultancy, a single bill and buy and repackage air time for its clients. It will also have stakes in or alliances with mobile network operators.

Most of the mobile data and enhanced services are being developed for digital mobile networks (either GSM or PCN). This will help to encourage business users currently using old analogue networks to transfer. At the end of last year only a fifth of Europe's mobile phone users were using digital networks (based on Dataquest figures). The proportion is likely to increase as new users sign up for digital services. A big incentive is that GSM handsets can be used anywhere in Europe that has a GSM network.

According to the Financial Times newsletter *Mobile Communications*, there were 16.3m cellular telephone subscribers in western Europe on May 1; up 61 per cent on the year before.

Existing analogue mobile users can upgrade to digital without a change of phone number (although they will need new handsets) and UK mobile operators Vodafone and Cellnet have both come up with packages to encourage them to switch. This is partly because their analogue networks are almost up to full capacity.

In the long term, analogue networks will probably be used by consumers rather than business users, then phased out.

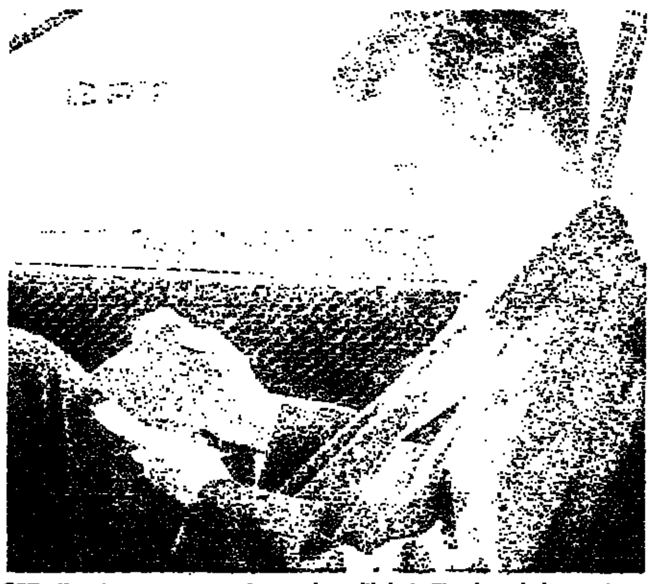
As the business market for mobiles has matured, the consumer market has exploded. And in the consumer market, mobile phone use has had slightly more impact on the use of fixed telecoms. Consumers have made such extensive use of Mercury One-2-One's PersonalCall tariff – offering free calls at evenings and weekends – that it has increased the monthly subscription charge from £12.50 to £15.00.

But one day the difference between mobile and fixed telephony could be invisible. Users will simply own a phone that connects to whatever service is cheapest and most convenient at the time.

Joia Shillingford is Associate Editor of the Financial Times newsletter Business Computing Brief

Technical support engineers at GPT Communication Systems maintain fixed and cordless exchanges

Nokia Orange mobile phone: what interests mobile operators is how to get people to spend more on services



GPT offers two-way messaging-paging with in-built acknowledgements

UK cellular telephone subscribers

Operator	System	Launch	Subscribers May 1995	Subscribers May 1994	Yearly growth %
Cellnet	TACS-900	Jan 1985	1,752,900	1,057,359	65.78
Cellnet	GSM	Jan 1994	41,000	n/a	n/a
Vodafone	TACS-900	Jan 1985	1,685,450	1,202,376	40.18
Vodafone	GSM	Jul 1992	194,750	26,622	631.54
Mercury One-2-One	DCS 1800	Sep 1993	275,000	84,000	227.38
Orange	DCS 1800	Apr 1994	157,000	n/a	n/a

Source: Mobile Communications

TELECOMMUNICATIONS IN BUSINESS 11

UK cable networks: **Raymond Snoddy** reports on a change of emphasis

Focus switches to telephones

Telecommunications has become a central part of what used to be the cable television business in the UK and indeed many operators now expect the majority of future revenues to come from the telephone rather than extra channels of television.

In recognition of the change in emphasis, the Cable Television Association has even changed its name to the Cable Communications Association.

The latest official figures from the Independent Television Commission show that by the beginning of April no less than 75 cable franchises were offering telephony and that 789,315 residential lines had been installed plus a total of 83,258 business lines.

The figures are very respectable given that the total number of homes subscribing to cable services of any kind is only around the 1m mark.

What is more remarkable than the total numbers of lines is the rate of increase in telephony subscribers. Over the past year the total number of lines installed has shot up from 376,795 to the most recent total of 872,573. And leading American cable and telecoms groups such as TeleWest and Nynex or CableTel and Bell Cablemedia are committed to investing billions of pounds in building sophisticated communications networks giving more and more consumers and businesses the ability to subscribe to cable telecommunications.

Virtually all the new cable being laid is able to offer both television and telephony services

This year, the industry plans to construct cable networks past about 2.5m homes and businesses – twice last year's rate.

Now virtually all the new cable being laid is able to offer both television and telephony services and the two services are usually offered jointly.

Cable operators have also found that the "churn" or disconnection rates are much lower for telephone subscribers than for those who just want extra television channels.

The UK was the pioneer in deregulating the telecommunications industry to allow cable to offer competing telephone services, although Mr Karel Van Miert, the European Union competition commissioner, hopes this will be law throughout the EU by 1998.

In business telecommunications, the extra competition for BT has developed slowly since the end of 1987 when Windsor Television, one of the first of the experimental cable television franchises, began offering telecoms services to 30 companies on the Slough trading estate in its franchise area – a scheme that had spread to more than 500 businesses within the next year.

Since then, it has become obvious just how important the businesses sector is to the cable industry – mainly because businesses are heavy telecoms users and when they switch to cable they tend to install multiple lines.

At General Cable, majority owner of The Cable Corporation whose franchises include Windsor, business communications revenues exceeded 50 per cent last year.

Mr Philippe Galteau, managing director of General Cable, believes that if the monthly gross margin on cable television services is 1 per cent then the margin on a residential telephone line is 1.4 per cent, but on each business line it is between 5 and 7 per cent. The business subscriber becomes even more valuable because The Cable Corporation's average business customer installs seven lines.

The main attraction to the business user is price. The cable industry says it can offer average discounts of between 10 and 15 per cent – although terms vary between different cable areas and BT has been responding to the competition.

Laying ducts for fibre optic cable on the Colt network in London

One big disadvantage – and one that is the subject of considerable contention between the cable operators and BT – is number portability. At present, a company switching to cable telecoms has to change its number, something that many are reluctant to do. Instead, many install a number of lines for out-going calls.

Oftel, the telecoms regulatory body, has decreed that number portability is vital to effective competition but BT and the cable industry has been unable to agree on who should pay what for the changes. The issue has now become entangled in a broader Monopolies and Merger Commission investigation and will probably be delayed for at least a year as a result.

Despite this disadvantage, the cable industry has come up with a number of initiatives designed to encourage the growth of business telecoms.

Perhaps the most important is ICN, or Integrated Communications Network, which exploits the London Interconnect that links all the main London cable franchises. It was designed initially for television programme exchange but is now also being used for business.

Companies with branches throughout the M25 area can be linked yet deal directly with ICN and get a single bill rather than having to deal with a number of separate cable companies.

Plans are well advanced for similar interconnects in the Midlands, the North of England and Scotland. This raises the possibility eventually, if the cable operators can agree, of communication links between the leading cable franchises in the UK.

The big regional groupings would probably lease capacity to link them from other telecoms operators rather than building the connections themselves.

Other cable services being offered to companies include the use of sophisticated PABX exchanges without having to own them. The equipment is located at the cable company headquarters which handles the telecoms needs of local businesses.

Videotron, the Canadian group which is one of the largest cable operators in the UK, has even launched a PC-based business information service for subscribers in the Westminster area.

Because BT has the cable licence for Westminster, Videotron cannot offer a competing general cable television service to residents. Videotron can, however, offer a raft of specialist business television information direct to business PCs, including a special news service from Reuters.

The service gives an indication of the range of possibilities that cable telecommunications is likely to offer in future beyond trying to compete against the established telephone companies on price.

Teleworking: A recent report suggests there are fewer than 250,000 teleworkers in the UK *BT Pictures: a BT photograph*

Christopher Price looks at teleworking

Numbers stay limited

Who are the teleworkers of today? The predictions and forecasts of armies of workers liberated by new technology and beavering away in remote satellite locations seems to have been as much a part of the multimedia revolution as the enabling software.

Yet while technological strides have continued to update the equipment, the most recent and exhaustive surveys on teleworking in the UK suggest that far fewer organisations or workers have embraced the new culture than had been previously thought. The surveys paint a more limited picture of its future prospects.

A recent report by researchers at Newcastle University suggests that fewer than 250,000 people – less than one worker in a 100 – in the UK can be classified as teleworkers. This contrasts markedly with claims made by previous studies that more than 1m people work electronically from home.

The Newcastle University study, prepared for MPs and presented to the UK Economic and Social Research Council, blames previously bloated forecasts on a "teleworking mythology" based on the experience of the relatively few companies which have actively participated in and promoted electronic homeworking.

"This has led to an exaggerated impression of the scale of home-based telework," says the report. It also blames self-interested groups, such as equipment suppliers, telecoms operators and user-friendly professionals, such as journalists and computer staff, for promoting the genre.

Recent studies in the European Union have also attempted to establish the level of teleworking

This view echoes a 1993 report for the Sheffield Department of Employment which stated that "teleworking has acquired a symbolic importance quite out of proportion to its actual prevalence." It estimated that less than one employee in 200 was a genuine teleworker.

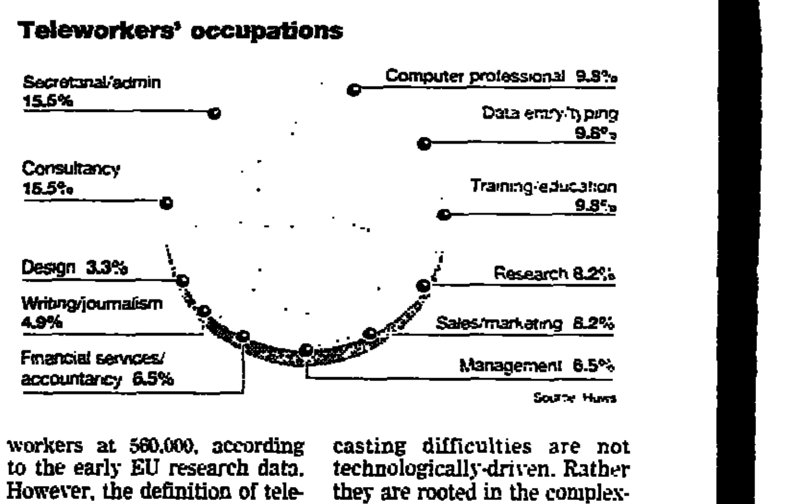
However, as the Newcastle University study also points out, "The findings of these studies vary considerably depending on how a teleworker is defined and on the methodology employed." It classifies five types of teleworking:

- Electronic home working: the most common form of teleworker, connected to work from home through a modem and other modern communications equipment;
- Telecottages and neighbourhood centres: shared multimedia facilities, close to houses, reducing costs, favoured by development agencies
- Mobile or nomadic working: teleworkers who operate both at home and on the road
- Group or team telework: made possible by advances in technology to facilitate a "virtual team" located at any distance from each other;
- Call centres and remote offices: companies which have begun separating production functions creating electronic remote offices to handle mostly back office functions.

Recent studies in the European Union have also attempted to establish the level of teleworking. The EU, which is committed to promoting teleworking as a job-creating process, has established a project to monitor the development of teleworking in the region.

Early research for the project estimates that about 5 per cent of European organisations are involved in teleworking. The analysis was based on research in the UK, France, Germany, Italy and Spain, and estimated that the number of workers actively engaged in teleworking in the five countries stood at 1.1m. The report calculates that this could give a total figure for the EU of 1.25m.

Of the five countries, the UK had the biggest number of teleworkers at 560,000, according to the early EU research data. However, the definition of teleworking was a broad one and included employees who worked from home electronically for only one day a week.



The figure fell to 130,000 when considering just those workers who were employed electronically at home on a full-time basis.

France, in second place, had about half the UK total, with the other three countries about half as much again.

But other studies dispute the findings of the EU report. A 1993 French academic study put the number of teleworkers in France at just 16,000, albeit under a strict definition. However, the same report suggests that there will be about 350,000 French teleworkers by 2005.

The EU report claims that the number of teleworkers is likely to eventually rise to 11m – but declines to put a timescale on events.

In the US, where teleworking is more developed, the number of workers has been estimated at about 4.5 per cent of the working population – or approximately 5.5m people. However, on a more detailed analysis, only 16 per cent of the sample – undertaken by a US university – telecommuted 35 or more hours a week.

Another study, by the Institute for the Study of Distributed Work, based in California, estimates that between 4m and 5m people, or 3-5 per cent of the US workforce, are teleworkers.

One thing is for sure, forecasting difficulties are not technologically-driven. Rather they are rooted in the complexities of organisations and the nature of work.

The potential benefits of teleworking are many. Home-based workers save on commuting time and travelling costs are correspondingly reduced. Teleworkers can also benefit from working in a more pleasant environment – the electronic homeworker connected to the superhighway from a distant rural site being the stereotypical image of the teleworker.

Workers can also gain from more flexible work patterns. Employers can benefit from correspondingly lower office costs. Teleworkers will in theory be at their desks longer and, it is claimed by some exponents, be more productive in a less stressful, more comfortable work environment.

But one of the biggest obstacles for would-be teleworkers is middle management, a factor emphasised in several studies. According to the Newcastle University report, this management tier fears both loss of status and difficulties controlling an absent workforce.

In addition, many employees prefer to work in traditional offices. "Some people prefer to work alone but for many others the office or factory represents a social milieu as well as a workplace," says the Newcastle report.

Review of Telework in Britain: Implications for Public Policy, University of Newcastle, Newcastle NE1 7RU, Price £20.

The videoconferencing industry believes its time has come, writes **Sheila Jones**

Ready to go for a mass market

Everything seems to be falling into place for the videoconferencing industry. Standards are being agreed, processing power is increasing, and there is a growing demand for new and better channels of communication.

The industry believes its time has come. No matter that it has been saying so for some years. There is a growing conviction that videoconferencing is ready to go for a mass market.

Sales are rising, particularly for systems based on personal computers. In the past, large, expensive room-conferencing and portable systems have dominated the market.

GartnerGroup, the US research organisation, suggests in a recent research paper, that the market is shifting rapidly in favour of PC systems. It points out that producers are now bundling videoconferencing capacity with other software rather than selling it as a distinct application. This will change further in the next couple of years, Gartner predicts, with videoconferencing likely to be embedded in most software applications programs as standard.

There are several factors fuelling demand, says Tim Duffy, European vice-president at PictureTel of the US. "We've now got the convergence of processing power being available to produce very good, high quality pictures; we've got a network that's come into place – the ISDN network – which is a full, digital, dial-up network virtually everywhere in the world, and a massive globalisation of industry taking place which is generating huge demand for communications around the globe and video fills that gap."

The technology is improving: it is possible to provide broadcast-like picture quality over digital telephone lines

PictureTel, a market leader, has seen its turnover climb from $4m in 1988 to $256m last year.

Mr Duffy's view is echoed across the industry, although some analysts believe that while prices are now falling since agreement on industry-wide standards governing data transmission, they will have to fall further if videoconferencing is to make an impact beyond niche markets.

The add-ons needed to enable PC videoconferencing can cost about $3,000 or more per terminal. John Matthews, a consultant at Ovum, the UK-based research group, says prices "need to head for about $1,000 to $1,500" before such investment is no longer seen by business managers as a difficult decision.

Nonetheless, niche markets are already fuelling sales. Law firms, publishers, health and design agencies are early users. Telemedicine, is catching on around the world, particularly in the US, where doctors are making remote diagnoses of patients through mainly PC-based videoconferencing networks.

Health agencies say the technology is helping them to cut travel costs and widen access to treatment. Medical applications are also growing in Europe. In the UK, a pilot scheme is under way in Montgomery, Wales, for dermatology patients. The system, which operates on British Telecommunications equipment and IBM software, allows GPs to refer their patients to a specialist live from the doctor's surgery. Specialists can examine a patient, looking at stills or moving pictures. They can discuss the case, share medical notes and make diagnoses via the PC.

Philip Hamer, who runs a firm of solicitors in Hull, in the UK, uses Intel's Proshare system to replace conventional meetings with barristers and witnesses before trials. Mr Hamer says the firm has saved time and dramatically cut travel costs. He adds that videoconferencing is "much more intimate than the phone".

Duffy: 'There is huge demand for communications around the globe'

Data compression – which enables pictures, sound and text to be transmitted on phone lines – has yet to produce the sort of quality we see every day on the television. Pictures on PC-based systems can be juddery, and some systems are better than others at reducing sound echo and improving sound and picture synchronisation. But the industry argues that live pictures can dramatically improve communication.

Research in the US has indicated that only a small amount – possibly as little as 11 per cent – of the information a caller wishes to convey is communicated in a conventional telephone call.

"If I send you some information by fax, and then I follow it up by calling you, I can probably convey about 23-24 per cent of the information I'm really trying to communicate," says Nigel Grierson, Intel's European director for personal conferencing systems. "If I could see you, and use body language and expressive language and share the document and talk to you, we would be way up into the 60s. It will never replace personal contact, but it will get you out of the 11 per cent zone of effective communication."

The industry still has work to do. It recently agreed the H320 standard on data transmission. This means that different systems in local networks can communicate with each other if they conform to the standard, and users need not be locked into one supplier.

There are still arguments within the industry over whether videoconferencing needs its own, dedicated processing power plugged in to the PC, or whether more powerful processors will run all a PC's operations without interfering with or slowing down different applications. Plug-in processing power, advocated by suppliers such as PictureTel, Compression Labs and GPT, has the upper hand at the moment. But Intel argues that the future lies in more powerful processors running all applications.

Critically, videoconferencing equipment manufacturers must agree a standard to enable live exchange of data across disparate systems. The International Telecommunications Union, the industry's standard-setting body, is optimistic that there will be agreement soon on its proposed standard, T120.

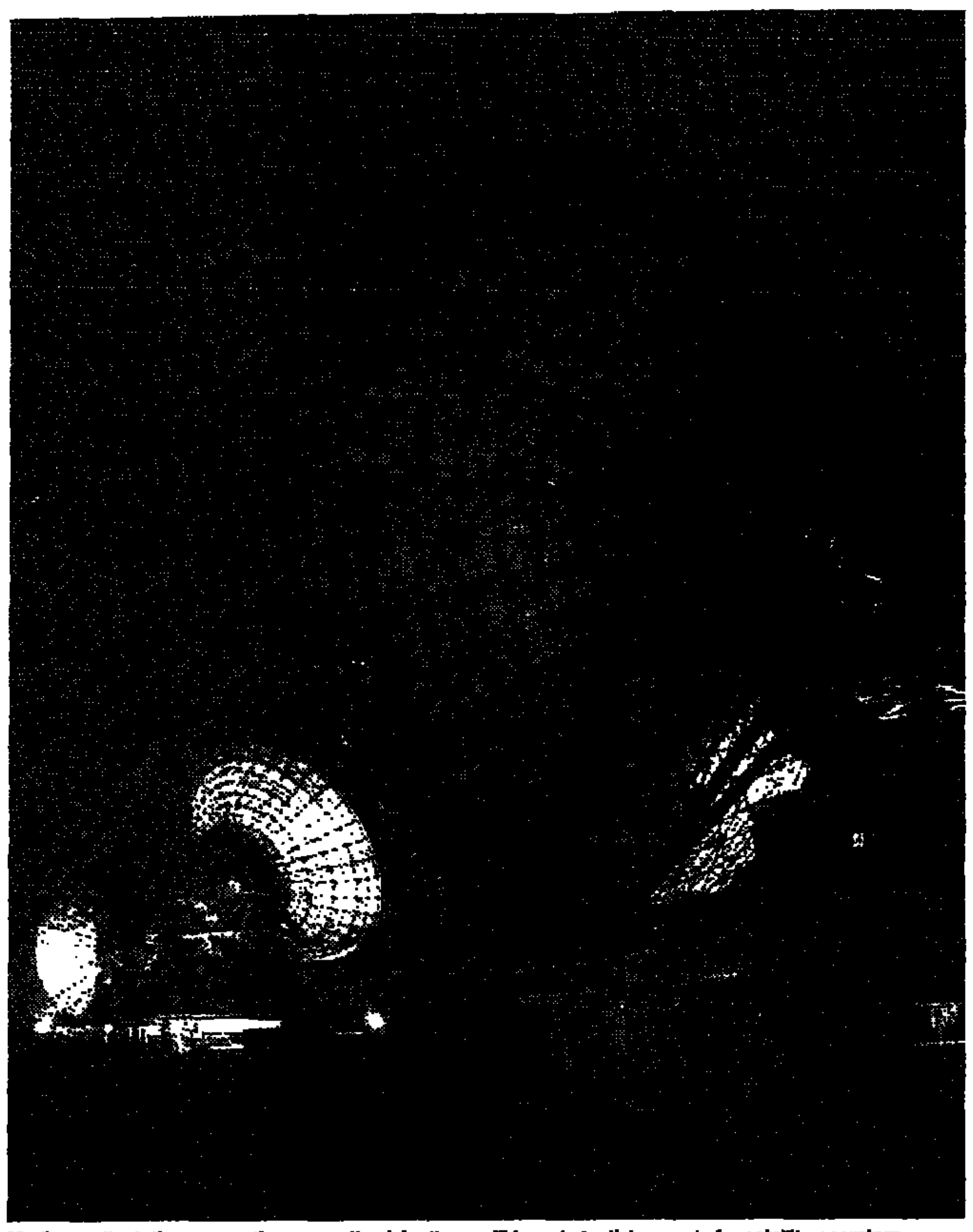
It is data exchange, enabling users to share and annotate graphics and documents, such as spreadsheets or X-rays, that appears to add most value, making the equipment more than a telephone with pictures. The industry must also produce systems that will allow users to take their networks beyond local areas to communicate with other networks operating on different systems.

The infrastructure is in place to allow the market to grow. The technology is improving and prices are coming down. The industry, with an eye on climbing revenues for telecoms, hardware and software operators, seems to be finding its market.

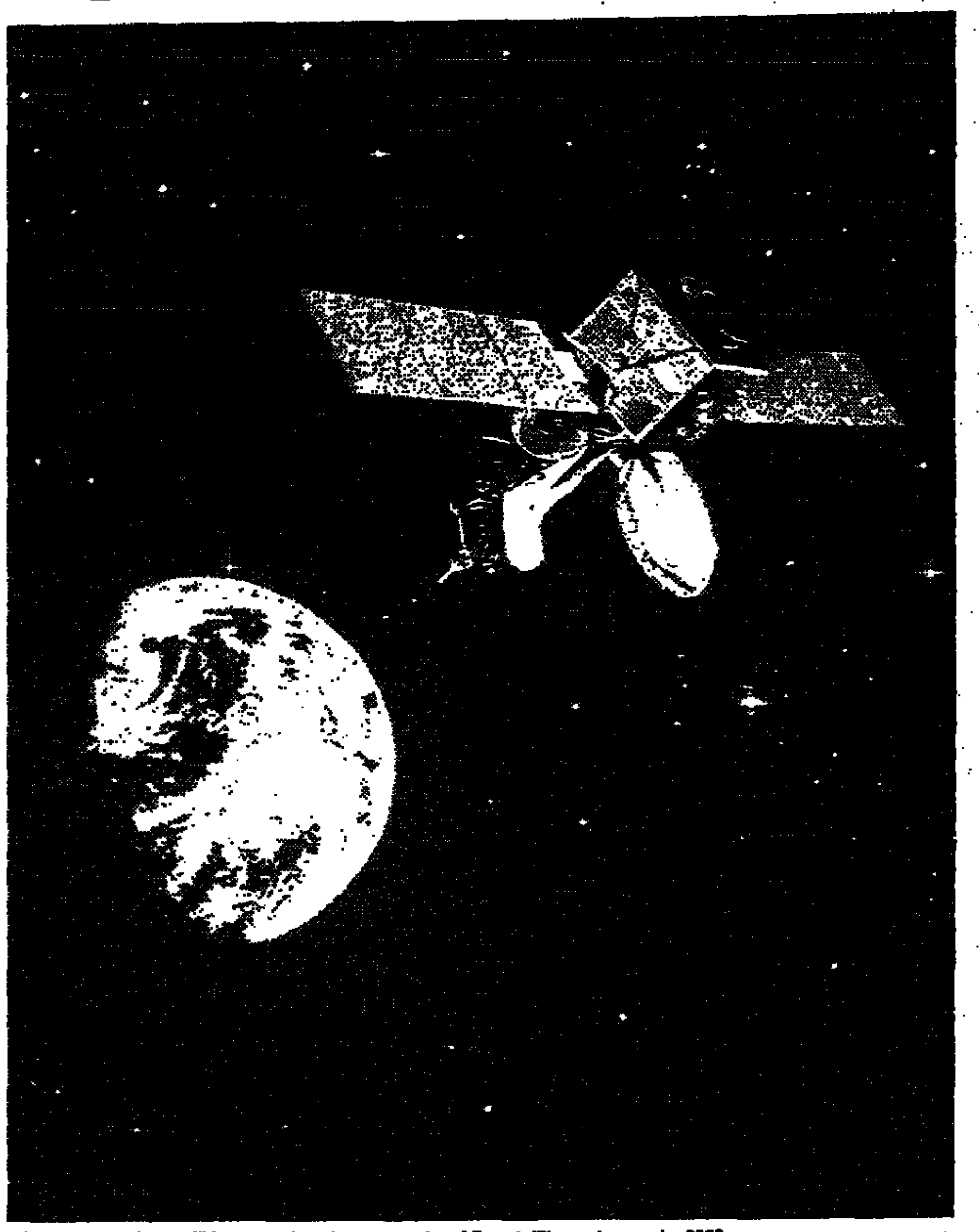
TELECOMMUNICATIONS IN BUSINESS 12

The battle over satellite communications has begun, reports **Alan Cane**

Attempt to 'patent' space is thwarted



Madley earth station: competing consortia claim there will be substantial rewards for satellite operators



It is estimated there will be more than 1m personal mobile satellite customers by 2000

BT Pictures: BT photographs

A new communications tool – the hand-held satellite telephone – will almost certainly be available to business people by the turn of the century. It will provide cellular phone-like voice and data communication between any two places on earth at an affordable cost.

The race to build the costly and complicated infrastructure for the service, however, has generated a bizarre development: an attempt – defeated at the last moment – by one of a number of competing consortia to "patent space".

Today's cellular networks have made mobile telephony cheap and effective, but they are limited to geographies where base stations can be installed economically.

Whole areas of the earth's surface including the deserts, ice caps and tropical forests are not covered by cellular networks.

In the past it has been possible to provide mobile communications in these areas, but at a price. Inmarsat, the international organisation owned by its member companies which pioneered maritime satellite communications in the early

There are essentially two low-cost approaches to satellite telephony

1980s, can make global satellite connections anywhere today, but calls cost up to $10 a minute and the equipment to make and receive them fills a large suitcase and costs about $25,000.

The object of a global satellite telephone service is to be able to receive and transmit calls from mobile phones no larger than today's cellular handsets at a cost of $3 a minute or less. It is being made possible by improvements in satellite systems, wireless technology and the miniaturisation of components.

Who could make use of such a service? The list includes international travellers whose business takes them to areas where cellular coverage is poor or non-existent; long-haul commercial vehicle operators travelling nationally and internationally; fishing boats, yachts and other small craft; and short-haul commercial and general aviation aircraft. Explorers, geologists, field scientists and civil engineers could all make use of satellite phones.

Mobile satellite systems will be fully integrated with existing fixed and cellular telephone networks. It would be possible, therefore, for a call from one mobile hand-set to be received by a satellite and transmitted again on to another handset or passed to a ground station for transmission onwards by conventional cellular or fixed wire telephony. The handsets are expected to be dual purpose, able to switch from conventional cellular telephony to satellite telephony as required.

Given the growth and popularity of conventional mobile telephony – there are expected to be at least 100m users of cellular phones by the year 2000 – the consortia now competing to provide satellite telephony are hardly to be doubted when they claim there will be substantial rewards for successful satellite operators.

As Inmarsat points out: "The extraordinary growth of mobile telephony is already leading to a fundamental change in expectations. People now *expect* to be able to communicate no matter where they are". It estimates there will be more than 1m personal mobile satellite customers by 2000 and several million early next century.

Creating a mobile satellite system is expensive, technologically challenging and fraught with risk. It is, moreover, unlikely that the market will be able to support more than two or three profitable operators.

This is why an extraordinary race between six or more consortia to establish the first satellite system is now under way.

The pioneer was Iridium, a consortium led by Motorola of the US, the largest manufacturer of mobile phones. It is planning to build more than 70 satellites and launch the first in 1997. It has raised $1.6bn in equity and is seeking loans of a further $1.8bn to complete the first phase of the project.

Among the other competitors are Globalstar developed by Loral, the US defence group, and Qualcomm, together with Ellipsat, Constellation Communications and American Mobile Satellite Corporation.

Mr Bill Gates, chairman of Microsoft, the software house, and Mr Craig McCaw, a wealthy cellular phone pioneer, have also united to declare an interest in developing a satellite phone system.

The only Europe-based contender is Inmarsat-P, a wholly-owned offshoot of the Inmarsat organisation. Some 39 of its members agreed last January to contribute $1.4bn in funding the initial phase of a project expected to cost $2.6bn at 1994 prices.

In the early part of this year, only Iridium and Inmarsat-P had completed their first-round funding and were therefore seen as favourites, other things being equal, to win the race.

Other things were not equal, however. Odyssey, a joint venture between TRW, the US aerospace manufacturer, and Teleglobe, a Canadian telecommunications operator, which is in the process of raising $2bn in funding, dropped a bombshell in April this year declaring it had been awarded patents by the US Patent Office for key elements of the satellite system.

There are essentially two low-cost approaches to satellite telephony. The first – low earth orbit, favoured by Iridium – involves launching between 24 and 66 satellites in an orbit less than 10,000km above the earth's surface. The second, medium earth orbit involves placing only 12 or so satellites in space between 10,000km and 20,000km up. Odyssey and Inmarsat-P both favour this solution, which they claim is much less expensive than either low earth orbit

TRW claims to have invented the medium earth orbit

or the geostationary satellites used for communications today.

TRW claims to have invented the medium earth orbit. A patent on the orbit would hamper severely Inmarsat-P's progress in the satellite race. The US company said: "These patents give TRW exclusivity for our mobile communications system".

In the event, the patents were dramatically withdrawn by the US Patent Office on the expected day of issue. While the reasons are not fully understood, it is thought the controversy stirred up by TRW's apparent attempt to "patent space" forced the Patent Office to review the issues involved.

It is entirely possible that elements of the Odyssey systems are unique and that patents will eventually be granted for them. But it is unlikely to be able to keep Inmarsat and others out of medium earth orbit. There will be more earthly skirmishing before the battle in space can begin.

ISDN has finally caught on in Britain, reports **Richard Handford**

Fresh applications emerge

1995 is proving to be the year when two previously unsuccessful data technologies came into their own: the integrated services digital network (ISDN) and the transmission of data over wireless networks.

The two technologies appear to have found solutions to the woes which had previously left them in obscurity. The emergence of new applications is helping both ISDN and mobile data to finally strike it rich with customers.

Of the two types of ISDN service offered in the UK – basic rate or ISDN2 offered only by British Telecommunications, and primary rate or ISDN30 offered by both BT and rival Mercury – it is the former that is attracting attention for its new data applications. ISDN30 is used mainly to carry voice traffic.

Over the past two years, ISDN2 has moved away from being purely a back-up service for a customer's private circuit. Two years ago, 55 per cent of ISDN lines were only used in times of exceptional demand when excess data could overflow onto them. Now the situation has changed as customers choose ISDN for applications such as file transfer, the interconnection of computer local area networks (Lans) and access of remotely situated Lans. These applications now account for nearly 50 per cent of all ISDN lines and the fall-back option accounts for only 14 per cent of lines.

The new-found popularity of ISDN has benefits for BT since the newer applications are likely to generate higher call revenues.

BT likes to talk about the growth in ISDN2 connections, pointing out they grew by 147 per cent in the financial year 1994-95. However, it should be remembered the original base was so low any growth looks impressive. BT itself does not reveal the number of ISDN2 connections but industry opinion puts the figure at about 55,000 at the end of 1994.

The UK lags far behind other European countries in the ISDN stakes. At the end of last year France had 250,000 basic rate connections and Germany in the region of half a million. The usual argument put forward by BT's critics for the discrepancy is the cost of ISDN2 installation in the UK compared with that elsewhere in Europe. BT's £400 charge is viewed as an important barrier to new users, particularly among small and medium-sized businesses and residential customers.

'The holy grail is to connect the millions of lap-tops in Europe to a mobile data network'

Critics point to the cellular industry where low entry price in the form of cheap hand-sets has led to an explosion in demand. BT replies that the structure of competition in the UK's fixed telecoms market precludes this kind of bold pricing move.

Some believe that, entry price notwithstanding, an important period of rapid growth is imminent for ISDN among users outside the corporate market. It will be the result, says Keith Mallinson of the Yankee Group consultancy, of an unlikely alliance between "centralised, bureaucratic" ISDN, the brainchild of conservative telephone companies, and the "organic, anarchic" Internet.

Mr Mallinson foresees Internet access as a huge market for ISDN. Particularly if BT's installation charges come down.

The problems for the UK's mobile data industry have been even more severe than that of ISDN. Subscriber numbers have doubled over the past year but only from 20,000-30,000 to 40,000-50,000 as the UK's four specialist operators seem largely to have searched for niche markets such as organisations with employees working out in the field.

Now some in the industry see the opportunity to reach a wider audience. "The holy grail is to connect the millions of lap-tops around Europe to a mobile data network," says Martin Garner of the Ovum consultancy. "It's a far bigger market than that for traffic wardens and policemen."

Mr Garner believes the evolution of technology and new approaches to the way the service is offered will open up a huge potential market among travelling executives. The means for serving this market is likely to be the GSM digital cellular networks now used by millions of mobile phone customers across Europe. The network has the capability to carry data as well as voice services.

Operators of GSM networks want their customers to connect their phones to a modem and lap-top to send data. Such a service would boost the call revenues for the network operators. The technology to facilitate this is now emerging.

Last year, leading telecoms manufacturers including Ericsson and Nokia began to make commercially available the necessary modems, and the software package Microsoft Windows 95, to be launched this summer, will put a heavy emphasis on its mobile data capabilities.

In the UK, cellular operators Cellnet and Vodafone already offer data services over their GSM networks. Orange, one of the UK's two Personal Communications Network (PCN) operators, is also thought to be interested.

The UK has also seen the emergence of service providers in the mobile data market with BT's decision earlier this year to sell a service over Cellnet's GSM network. BT, which owns a 60 per cent stake in Cellnet, will offer the service with US computer manufacturer Apple.

The role of service providers, who do not actually own a network but use their marketing skills to attract customers, has been judged crucial in the growth of the UK's cellular industry and might likewise invigorate the mobile data market.

EDI is making slow progress, says **George Black**

UK still leads the field

A couple of years ago the leading industrialist Sir John Harvey-Jones criticised his senior business colleagues for failing to take advantage of electronic data interchange (EDI).

Today, he would probably find that not much has changed. Only between 10,000 and 20,000 UK companies have adopted electronic, or paperless, trading – yet the UK is still ahead of most European countries and in some fields also ahead of the US. Even among the UK companies which have adopted EDI, many still make very limited use of it and some still do extensive and avoidable re-keying of data.

The take-up varies greatly between industry sectors – the retail, health-care and electronics industries are among the leaders, government generally is a laggard – but overall progress has not been as rapid as proponents of the technology expected a decade ago.

They now hope that a projection from the research firm Frost and Sullivan of a quadrupling of the international market by 2001 will prove accurate.

"There is still much more to do," admits Mr John Jenkins, director of corporate affairs for GE Information Services which runs Tradanet, the UK's largest EDI network, and other international EDI services.

"The rate of adoption is slowing and is disappointing," says Mr Gary Lynch, chief executive of the UK EDI Association (Edia).

Mr Jenkins says there is no important technical barrier, but senior managers are reluctant to see EDI as a business issue which they need to tackle. "Boards of directors still see it as a technical issue for their information technology departments, not for themselves," he says.

Mr Lynch thinks that the expression "electronic data interchange" is itself a deterrent to many managers, to whom it sounds too technical.

However, there are plenty of examples of companies which have prospered by adopting EDI to encourage others to copy them. The most quoted case in the UK is probably that of the Tesco supermarkets chain, which has revolutionised the way it does business in the past few years. The improvement in the efficiency of its supply chain is generally recognised to be an important component in its success.

But for every Tesco there are dozens of other big and small companies which have been unresponsive to the new technology.

Mr Jenkins contends that what EDI in the UK needs now is an articulate advocate. In the US, Vice-President Al Gore has championed the cause of building an information superhighway and thereby greatly increased public awareness worldwide of the potential of the Internet.

"We need an Al Gore to help us bring EDI to the top of the management agenda," says Mr Jenkins. "It can make UK plc more competitive. We have a lead, but we must maintain it."

The popularity of Internet gives EDI promoters a new opportunity

"There is a lack of clear direction from the government side," complains Mr Lynch. "What we want to see is government using it more. This would send a signal to UK industry that it is a better way to trade."

The popularity of the Internet gives the promoters of EDI a new opportunity. Mr Lynch says: "I am trying to ride the wave of interest in the Internet, to explain to people that EDI and the Internet are both part of electronic commerce."

Perhaps the most contentious issue in the area of electronic trading at the moment is whether the Internet is capable of becoming a vehicle for this sort of activity.

Mr Jenkins argues that it is not yet ready, mainly because of the lack of security, but he thinks that it is already playing an important role in promoting understanding of the electronic marketplace and "extending the shelf space of suppliers."

Among small and medium-sized businesses, EDI is still seen as a mixed blessing. Many managers are afraid of the technology or just do not have the time to study it.

More positively, many small businesses find that being able to advertise their competence in EDI can bring a rapid increase in business. A survey by the EDI World Institute last year found that nearly 70 per cent of such companies reported improved efficiency from EDI and more than half experienced improvements in financial performance.

As more global standards emerge, EDI should also enable them to build international businesses.

The Association of British Chambers of Commerce is involved with the Edia in a two-year programme backed by the European Union to promote the use of EDI among small and medium-sized enterprises. Ms Elizabeth Boyd-Adams, its commercial director, says: "up to now, smaller companies have been on the receiving end of instructions from their customers. We want to level the playing field so they can make informed decisions about the best technology to adopt.

"It's the language of the future, as far as we are concerned, for trading in the international marketplace."

One problem which is still deterring many smaller businesses from moving to EDI is the difficulty of integrating their accounting software with EDI systems. They have had to call on the services of a software house to glue the systems together, and many have felt it was not worth the trouble or the cost. However, some of the top accounts package vendors such as Multisoft and Pegasus have now started to provide an interface from their programs to EDI systems. Other leaders in the field are likely to do the same.

Meanwhile, the Edia has developed a proposed standard application programming interface which should be available to systems developers by the end of the year.

These developments may contribute to making EDI more attractive to the hundreds of thousands of smaller UK companies which have yet to enter the brave new world of electronic commerce.

Profile: the EU-funded Visinet project

Aid to collaboration

An architect and his client – one based in Lisbon, Portugal, and the other in Eindhoven, Netherlands – walk together around a 'virtual city' examining new designs and road layouts... This is no longer a futuristic vision of what might be, but something which has been taking place in the past six months, writes Monica Horten.

The virtual city has been made possible by a European Commission-funded project known as Visinet, investigating the uses of an information superhighway for architects and industrial designers.

The project, which cost Ecu2m, provides the facility for the City of Eindhoven to employ a Lisbon architect on a project to re-model large areas of the city. Using three-dimensional visualisation software on high-powered Silicon Graphics workstations, with an eight megabits a second transmission link between the two cities, the client and architect are able to hold discussions without meeting in person.

Visinet indicates the type of benefits which many businesses could obtain if they choose to exploit the new superhighway technologies. The information superhighway will provide transmission speeds that are many times that of even the fastest telephone lines in use today: the average data transmission today is at 64 kilobits a second (also the speed on an ISDN connection). Some companies have lines at 2 megabits a second, and a rare few might have more than that. The superhighway speeds will provide up to 155 megabits a second, and eventually even higher, up to 2 gigabits a second.

In practice, that means that a four-page multimedia document, including video clips and images, would take only one second to transmit, compared with 41 minutes today. And the technology is distance-independent – irrespective of the location of the two people communicating, the data will get there in the same time.

Given that situation, it would seem to matter less whether two people working on a project are located in the same building or several hundred miles apart. According to John Moroney, senior consultant with London-based market researchers Ovum, the information superhighway will facilitate collaborative working on product design and development in a way that has not been possible before.

It will allow businesses to have a common data source across all departments involved in bringing a product to market – marketing, design, production, sales and post-sales, even where those groups are geographically remote. The result should be shorter product-to-market cycles. For example, a European fashion manufacturer with factories in the Far East could install a high-speed video link between sites on both sides of the world. Changes to garments can be made almost at the last minute to accommodate unforeseen market demands.

"The potential for this type of application is good," says Margaret Hopkins of Cambridge-based consultancy Analysys. "It is rare nowadays for all the people involved in a particular project to be on one site. By using these techniques it is possible for them all to be fully involved."

An extension of collaborative working could also include the customers, according to Nick Hughes, head of IT strategy and policy at the PA Consulting Group. "Producers will be able to talk to customers directly for the first time, eliminating the middle operator. Thus business gets feedback directly into how its products are being used," he said.

But many businesses will take advantage of the superhighway just to improve what they have today. Most companies now run at least some of their computing systems on local area networks, or Lans, using software that is known as client-server. Client-server software is designed so that any terminal can theoretically access any host or server computer. In practice, people in different parts of the business can get into databases other than those in their department, with the result that business information is shared across the wider organisation.

However, Lans transmit at 10 megabits a second on average. Today, they cannot maintain their transmission speeds on links to external sites, because of the limitations of telephone lines. In other words, where it takes a few seconds to get data from a database in the same building, it takes minutes to retrieve information from one on another site. The information superhighway will solve the problem so that businesses should be able to operate more efficiently across different sites and countries.

Some companies are already beginning to take advantage of the early high-speed lines that are becoming available. BT, for example, claims that about 30 customers are already using its high-speed service known as SMDS (switched multimegabit data service). Transmission is possible at varying speeds up to a maximum of 25 megabits a second to any other computer connected to the network. In practice, a document transmitted from London to Belfast will begin to appear on the recipient's screen within one hundredth of a second.

The Inland Revenue has 10 data processing sites connected to SMDS via 10 megabits a second links. The banking clearing house, BACS, is using it for cheque and credit clearing, with some 12 clearing banks connected, mostly at speeds up to 2 megabits a second. And BT has recently signed contracts with the NHS and Railtrack.

Other companies are looking at the much higher speed lines offered by the UK's new telecoms operators. Yorkshire-based Torch Telecom says it is talking to financial institutions within its Yorkshire-North Humberside region about providing a managed telecommunications facility at 155 megabits a second. The facility would be used to improve communications to high street branches, especially where they are using client-server, lan-based software applications.

Torch Telecom has already installed a 34 megabits a second link for the Leeds General Infirmary and St James's hospital. It is used by trainee surgeons who watch keyhole surgery operations taking place in an operating theatre on the other side of town. They can converse with the surgeon using a video conferencing unit.

However, before such facilities become available on a national or global basis, the cost of the lines has to come down. Traditional pricing of telephone lines is done by distance and by speed. But, at the superhighway speeds, today's pricing models make a line so expensive that even the largest corporations cannot afford them.

BT is getting around the issue with SMDS by putting it in a different class of service – it is tariffed as a systems licence service which means that BT does not have to link it to existing line prices. The service tariff is at a flat rate, irrespective of the distance between the two sites to be connected.

But Mr Hughes fears that irrespective of service availability or tariff drops, most businesses are a long way from being able to take advantage of the superhighway: "The number of organisations that are yet thinking about how they might exploit the benefits of the superhighway are few and far between. And there are even fewer that can conceptualise the benefits."

ON-LINE INFORMATION SERVICES

Specialists provide the key

On average, business executives and PAs spend four hours a week – or 10 per cent of their time – obtaining basic business information such as phone numbers, company information and times of trains. This was one of the findings of a survey carried out earlier this year by Benchmark Research on behalf of Phonelink, creators of Tel-Me, the on-line business information service.

With the average UK executive salary at £40,000 and other staff overheads running at about 100 per cent of salaries, the cost of information-gathering by executives is therefore about £8,000 for each employee. Hence, although we are in the information age, there is a high cost in obtaining that information.

At first glance, it would appear that the Internet could provide us with the solution to our every need. We would be able to find the exact information we wanted on any topic just by "surfing the web".

It is true that a vast amount of information is stored on computers around the world – and a considerable proportion of it can be accessed via telephone lines. However, it is not sufficient that the information exists; one must know where it is and how to access it. And it is sometimes necessary to filter mountains of data to locate the specific information required. A number of specialist operators have grown to meet these needs.

There is nothing new in having specialists to assist in obtaining information. Librarians and information specialists manage and obtain information as well as filtering and sorting it prior to presenting it for management.

Much of this information falls into two basic categories: the general, such as phone numbers, travel timetables and road information; and the special which may relate to markets, product specifications, data sheets and price lists.

Before the Internet, it was a simple task to despatch someone to get the necessary information. Today, however, we need more effective ways. Consequently, information services companies target large installed bases of potential users – such as Windows-based PC users – especially where users employ an integrated services digital network (ISDN) either directly or via a local area network (Lan).

The service is designed so that inquiry details are prepared off-line before the call is made

For example, Tel-Me provides near-instant access to services including Thomsons Classified directories, CCN and Infocheck credit checking, PA for live news, BT's Teledirectory service, Ordnance Survey, British Rail Information, the AA and weather reports.

The service is designed so that the inquiry details are prepared off-line before the call is made. This reduces the cost of calls.

Customers are not limited to those working in the financial and business sectors. The groundsmen at Hillsborough rely on up-to-date weather forecasts to maintain the condition of the pitch for football matches. In addition, Sheffield Wednesday use Tel-Me when playing away to provide road directions to the venues via "Mapper". Information about hotels and restaurants from the AA Travelogue is used to help supporters find somewhere to stay.

While Tel-Me offers a wide range of business services, On Demand Information (ODI) publishes information products offering specialist business and product information to subscribers within specific market segments as well as developing bespoke applications.

For example, ODI is targeted at the construction industry and offers specifiers and buyers access to colour product catalogues and other information provided by more than 5,500 building products suppliers in addition to detailed engineering design and technical standards from many organisation including the British Standards Institution (BSI).

ODI has also been working with the Employment Services Agency to develop and implement a pilot information management system in the Nottingham area linked to ODI's central server in Leeds. This will allow Job Centre staff to have immediate private access to operational employment services information normally distributed on paper.

However, people are not always in the office. To meet this need, Reuters has launched the first palm-top Reuter workstation, the Reuter Personal Assistant. It provides Reuter Terminal users with a portable and effective remote access to their office terminal via a Psion 3a organiser so that they are able to retrieve and display Reuter data in a familiar format from any location with a phone line.

Overall, even though the number of executives who are web-surfers will grow, the number who will look to specialist information services companies can be expected to grow even faster.

Adrian J Morant

Telecommunications made in Germany has long commanded worldwide respect. Many of the innovative achievements paving the way into the information age bear our hallmark. Deutsche Telekom ranks No. I in Europe, No. 3 worldwide and, as a stock corporation, can now play an even more enduring role in shaping the course of progress for the benefit of all.

At the beginning of this year Europe's biggest telecommunications player, Deutsche Telekom, made the move from public sector company to stock corporation.

Deutsche Telekom now a stock corporation.
This move opens up a world of opportunity. It not only allows us greater freedom to forge ahead with technological innovation even faster and more effectively in the service of our customers. It also lets us turn progress born of the information age to the advantage of society as a whole. With telecommunications made in Germany we have provided vital stepping-stones on the road to achieving ground-breaking worldwide standards. And we have helped to make the multimedia information society a reality. It was Deutsche Telekom who spearheaded development of the high-performance digital ISDN network and shared in masterminding GSM, the most efficient mobile communications standard in the world today. We were also the first to use ATM, the transmission system which sets the pace on today's Information Superhighway.

Building strength through partnership.
Deutsche Telekom is currently in the process of forging one of the most dynamic global alliances with other international partners. For a host of major national and international concerns operating in as many different fields, we have a great deal to offer when it comes to interactive partnership. With our own branch offices at the hub of key global markets, we create the perfect platform for supplying the full range of state-of-the-art telecommunications technology that knows no frontiers. Our expertise and investment input in Eastern Europe reflects the strength of our commitment in the region, generating a real motive force behind these future markets.

You can share in our success.
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